the Freeman

Ideas on Liberty

AUGUST 1979

A SYMBOL OF CHAOS:

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IN MEMORIAM

William Marshall Curtiss, 1904-1979

Dr. W. M. ("Charley") Curtiss served The Foundation for Economic Education in many capacities as a member of the staff from its beginnings in 1946, and remained a loyal supporter following his retirement in 1973. He and his wife Evelyn were visiting friends and relatives in Illinois when he died in his sleep the night of June 30.

Charley had been Professor of Marketing in the Department of Agricultural Economics at Cornell University following his graduate studies there. At FEE, he initiated and directed the popular College-Business Exchange Program, negotiating for professors of economics to spend summers in on-the-spot studies of business operations. He also served as Executive Secretary of The Foundation and as Director of FEE Seminars, lecturing and writing on the blessings of the market economy and the frustrations of coercive interventions and controls. Perhaps best known of his writings is *The Tariff Idea,* presenting the economic, political and moral case for free trade as the path to peace for individuals and nations.

Many are those drawn to believe in the ways of freedom Charley practiced so quietly and effectively. The staff and friends of FEE share with his family our deep sense of loss and our grateful memory of his service and presence among us.

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FOUNDATION FOR ECONOMIC EDUCATION
Irvington-on-Hudson, N.Y. 10533 Tel: (914) 591-7230
Leonard E. Read, *President*

Managing Editor: Paul L. Poirot
Production Editor: Beth A. Hoffman
Contributing Editors: Robert G. Anderson
Bettina Bien Greaves
Edmund A. Opitz (Book Reviews)
Roger Ream
Brian Summers

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Brian Summers

The Ethics of Profit Making

DEFENDERS of profit making almost invariably use one or more standard arguments. Let us examine the strengths and weaknesses of these arguments—and then consider a new approach which throws additional light on the ethics of profit making.

A businessman's profits (or losses) are his net revenues minus the market value of whatever labor he put into the business and minus whatever interest he passed up by investing his own capital in the business. Thus, if a businessman could have earned $20,000 a year doing the same work for someone else, and if he had $50,000 invested in the business when the market rate of interest was 10 per cent, he made a pure (entrepreneurial) profit only if his net revenues for the year exceeded $25,000.

If a businessman does make a profit, he may try to justify it by pointing out that he has invested his own capital in the business and patiently waited for his return. But implicit interest (in our example $5,000) is excluded, by definition, from profits. Profits are not a reward for waiting; interest is a reward for waiting.

Or the successful businessman may declare that he has worked hard—that his profits are the "fruit of his own labor." But, by definition, implicit wages ($20,000 in our example) are excluded from profits. Profits are not a reward for pure labor; wages are a reward for labor. Businessmen who suffer losses despite great personal efforts, and businessmen who reap profits with no more "labor" than a few tele-

Mr. Summers is a member of the staff of The Foundation for Economic Education.

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phone calls, illustrate the difference between profits and wages.

Risks

A similar argument asserts that profits are a reward for bearing risks. But businessmen who suffer losses also take risks. So do gamblers and mountain climbers. Should these people be rewarded just for bearing risks?

The risk argument is especially weak in the case of profits that are completely unexpected—windfall profits. A storm may pollute a town's water supply, enabling the owner of a natural spring to reap windfall profits. The owner may have paid almost nothing for the spring, thus risking very little capital. It is difficult to justify his profits solely on the basis of his taking a risk.

In fact, the less capital a businessman invests in his business, the less implicit interest he loses and, other things being equal, the greater his profits. That is, other things being equal, the less capital risked, the greater the profits. Similarly with the businessman's labor. The less effort he risks on a business, the less his implicit wages and, other things being equal, the greater his profits. In this sense, profits can result from *not* risking too much capital or labor.

If profits are not a "reward" for waiting, laboring, or bearing risks, the defender of profits must seek other arguments. He often turns to the free market economist, who usually provides a utilitarian argument.

Utilitarian Argument

The economist points out that competition leaves businessmen little choice but to charge whatever price the market is paying. Thus, the prime way to earn profits in a market economy is to cut costs through the prudent use of scarce factors of production. The businessman who conserves the most resources, while giving consumers the most for their money, earns the greatest profits. Profits and losses promote efficient production; free market prices eliminate shortages and surpluses; profits provide the incentive and means to invest in productive capital goods. The utilitarian argument can be very compelling.[1]

Furthermore, the utilitarian argument offers a defense for windfall profits and speculative profits. In the case of windfall profits, suppose a disaster destroys much of a city's housing. In a free market, rents will rise—encouraging people to take in boarders, share apartments, bring in portable shelters, repair damaged housing, and build new dwellings. Thus, profits will encourage people to alleviate the housing shortage, so that rents will soon fall back to

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"reasonable" levels. Of course, if rent controls prohibit windfall profits, this natural recovery will be stifled.

The utilitarian argument also offers a defense for the profits of commodity speculators and land speculators.[2] Commodity speculators buy when they expect a shortage—encouraging increased production and conservation. They sell when they expect a surplus—discouraging further production and encouraging increased use of the commodity. Thus, commodity speculators tend to smooth out shortages and surpluses. In addition, they quote future prices which tend to reduce the uncertainty facing businessmen, farmers, and consumers.

Land speculators earn profits by buying property for which no one else sees much use, and later selling it to someone who recognizes the property's high yield potential. Thus, land speculators keep property out of low productive uses and store it up for high productive uses.

Paul A. Samuelson challenges this utilitarian approach by pointing out that a speculator may, for instance, learn of a crop failure only a few seconds before his competitors and thereby reap huge profits. He finds it difficult to justify these profits solely on the basis of the few seconds the market gains in adjusting to the crop failure.

But Samuelson ignores the role of incentives. It is true that if the first speculator didn't learn of the crop failure, others might have learned a few seconds later. But it is *not* necessarily true that these other speculators would have acted as quickly (or acted at all) without the profits that awaited the "winning" speculator.[3]

The utilitarian argument offers a formidable defense for profits earned in a free market system—based on the economic efficiency of the system itself. Yet many people are not satisfied by this argument. They may be willing to trade some economic efficiency for other goals, such as a proposed "fairer" distribution of wealth.

Some businessmen try to counter these proposals by asserting that their profits are too small to warrant much reduction. This may be true, but the utilitarian argument shows that the small profits of some are no reason for taxing the large ("excess") profits of others. In fact, other things being equal, the maker of small profits has used up more scarce resources than the maker of large profits. On utilitarian grounds, large profits are more commendable than small profits.

Voluntary Transaction Argument

To effectively counter objections to the utilitarian argument, defenders of profit making may turn to

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more philosophical arguments. They may, for instance, point out that in a free market all profits and losses are the results of voluntary transactions. In a free society, no one is coerced into dealing with a particular businessman. Each person enters into a transaction expecting to improve his own condition—otherwise he wouldn't trade.

To the libertarian, this argument carries much weight. Who can condemn a voluntary trade? Yet many people do. They point out that prostitutes, pornographers, and drug dealers often engage in voluntary transactions; yet these transactions, for other reasons, are to be condemned. Until people place a higher value on freedom, the voluntary transaction argument will fail to satisfy many critics of profit making.

Property Rights Argument

Another philosophical argument is based on property rights. The businessman either owns a good or has hired the factors of production used to produce it. Therefore, once his employees, suppliers, creditors, and landlord have been paid, any implicit wage, implicit interest, or profit remaining from the sale of his good rightly belongs to him.

This argument can be used to justify any profit made in a free market. It is, however, based on the sanctity of private property. Those who use this argument must be prepared to defend the right to private ownership.[4]

Even for those who believe in private ownership, the property rights argument creates the impression that the businessman purchases factors of production and then just sits back to (hopefully) collect his profits. Many people are dissatisfied with this approach because they feel that a person should actively do something to deserve a profit. The fact that the businessman may have labored does not overcome this objection because, as we have seen, implicit wages are excluded from pure profits. Something seems to be missing from the property rights argument.

Creator-Finder-Keeper Argument

What is missing is a recognition that *the entrepreneur creates the opportunity to discover his profits.* This new approach to the ethics of profit making, based on the seminal writings of Israel M. Kirzner,[5] does not, of course, claim that the entrepreneur physically creates his products. Products are physically "created" (transformed from one form into another) by workers using the capital goods investors provide them. But workers and investors don't decide what product to make and which factors of production to use. The entrepreneur makes these decisions. His decisions determine

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which product will be offered to consumers and what the costs of production will be (calculated from the market prices of the factors of production he chooses). *The entrepreneur's decisions make the difference between profit and loss.*

Thus, although a businessman may not physically create his products (although by the property rights argument he owns them), he does create the opportunity to discover if consumers will pay a price which exceeds his costs. An illustrative example is the speculator who buys a good and then sells the physically unchanged good at a profit. By purchasing goods and offering them for sale, speculators create their own opportunities to discover profits.

This approach casts additional light on Samuelson's speculator who learns of a crop failure a few seconds before his competitors. Previously we saw how his profits can be justified on utilitarian grounds. They are also justified by the voluntary transaction argument and the property rights argument. But now we see a new justification for his profits. By placing purchase orders a few seconds before his competitors, he creates his opportunity to discover profits. He alone creates his opportunity, so any profit or loss is his.

Note that this is not simply a "finder-keeper" argument. The entrepreneur doesn't merely discover his profit, like a child stumbling across a bright pebble. Even the reaper of windfall profits must first acquire title to property before he can sell it at a profit. By acquiring property, the entrepreneur *creates* his opportunity to discover if he can sell it at a profit.

Nor is this a "creator-keeper" argument. In a competitive market, with no governmentally imposed barriers to entry, a businessman cannot set his price by arbitrarily adding a "profit" to his costs (as government-created monopolies and cartels can do). In a competitive market businessmen must *discover* what prices consumers will pay. Thus, this approach to the ethics of profit making is perhaps best labeled a "creator-finder-keeper" argument.

So far we have considered the profits and losses of a businessman operating in a free market. But the real world contains partnerships and corporations in addition to sole proprietorships. Also, the real world is by no means a free market—it is a market increasingly hampered by government interventions. How do the various arguments used to justify profits apply to the real world?

Partnerships and Corporations

Partnerships and corporations, historian Robert Hessen has shown, are networks of contractual relationships.[6] Thus, the voluntary transaction argument can be di-

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rectly applied to justify the profits of these forms of business. The utilitarian argument is directly applicable by simply changing the word "businessman" to "partnership" or "corporation." For the property rights argument we change "businessman" to "partners" or "stockholders."

The creator-finder-keeper argument can also be applied to partnerships and corporations. Somewhere in the business organization decisions are made as to what to produce and how to produce it. For the creator-finder-keeper argument it doesn't matter where in the organization these decisions are made. It suffices that profit opportunities are created by the business. Thus, when it is discovered that consumers will pay a profit-yielding price, the profits belong to the partnership or corporation and are apportioned among the members according to contractual agreements.

Government Intervention

But what about profits earned in a market hampered by government intervention? The arguments we have considered justify a businessman's profits only to the extent that his profits do not derive from interventions. The more the government intervenes in the economy, the less likely it is that these arguments will apply.

This is clearly the case with the voluntary transaction argument. The more the government intervenes, the more do transactions become involuntary. For instance, the beneficiary of an import quota may claim that customers "voluntarily" patronize him. But they may patronize him only because the quota prevents them from dealing with foreign businesses.

The utilitarian argument also becomes less applicable the more the government intervenes. In a free market, businessmen earn profits through the efficient use of scarce resources. Their profits are the result of using as little as possible to provide consumers with as much as possible. The more the government intervenes, however, the less profits reflect efficiency, and the more they reflect politically determined prices. For example, a land speculator may reap profits, not by finding a buyer who recognizes the productive potential of his land, but through a zoning change.

The property rights argument is also vitiated by government intervention. The more the government is used as an instrument for violating private property rights, the less appropriate this argument becomes. For instance, the recipient of a government subsidy can hardly justify his profits by appealing to private property rights when those around him are paying taxes on their property to finance his subsidy.

The same holds for the creator-

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finder-keeper argument. The creator of a profit-yielding opportunity cannot use this argument to justify his profits when the opportunity has been politically created. Businessmen who successfully lobby for subsidies, tariffs, restrictions on competitors, and other government favors create profit opportunities for themselves by restricting the opportunities of their fellow men.

This brief essay has not, of course, completely spelled out any of the arguments used to justify profits. Nor has it considered all the arguments. Left untouched, for instance, are Biblical justifications, profits from immoral and/or illegal activities, and the basic question of the morality of the private property system.

Nevertheless, we have seen that strong arguments can be brought forth in defense of profit making in a free market. The strengths of these arguments, in fact, suggest that businessmen spend less time apologizing for their profits and spend more time challenging their tormentors to justify the ethics of price controls, "excess" profits taxes, union coercion, and other interferences with the peaceful conduct of business.

—FOOTNOTES—

[1]The best example is Ludwig von Mises' "Profit and Loss" in *Planning for Freedom* (Libertarian Press, South Holland, Illinois, 1952).

[2]See "Why Speculators?" by Percy L. Greaves, Jr. (*The Freeman*, November 1964) and "Those Fellows with Black Hats—the Speculators" by John A. Sparks (*The Freeman*, August 1974).

[3]Israel M. Kirzner, *Competition and Entrepreneurship* (University of Chicago Press, 1973) pp. 223-225.

[4]This can be done on several grounds, but is beyond the scope of this essay. See, for instance, Samuel L. Blumenfeld, editor, *Property in a Humane Economy* (Open Court, LaSalle, Illinois, 1974) and Gottfried Dietze, *In Defense of Property* (The Johns Hopkins Press, Baltimore, 1971).

[5]See his *Competition and Entrepreneurship* (University of Chicago Press, 1973) and *Perception, Opportunity, and Profit* (University of Chicago Press, 1979, forthcoming) especially chapters 11 and 12 of the latter. There are, however, several points of difference in our analyses; any errors in this paper are entirely my responsibility.

[6]Robert Hessen, *In Defense of the Corporation* (Hoover Institution Press, Stanford, California, 1979).

IDEAS ON LIBERTY

Ludwig von Mises

THERE is in the market economy no other means of acquiring and preserving wealth than by supplying the masses in the best and cheapest way with all the goods they ask for.

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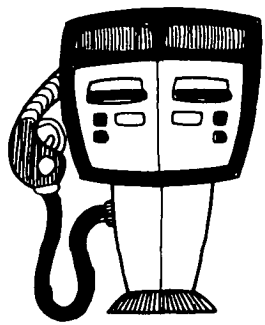
Hans F. Sennholz

A SYMBOL OF CHAOS: THE GAS PUMP



UNTIL just a few years ago most people were indifferent to all questions of energy. They were as heedless of the very industry that produces heat and power as of many other industries meeting their daily needs. Surely they were aware of basic materials such as wood, coal, gas or oil burned to produce heat and kinetic energy. But the term "energy industry" was yet unknown. Even the dictionaries of economics designed to include the terms commonly used in college courses listed neither energy nor the energy industry. It was left to the 1970s to call attention to the industry and bring us the energy crises.

Dr. Sennholz heads the Department of Economics at Grove City College in Pennsylvania and is a noted writer and lecturer on monetary and economic affairs. His latest book, *Age of Inflation*, describes our dilemma and offers recommendations for restoring a sound monetary system.

In retrospect there were earlier indications of things to come. By 1970 there was a United States Department of Transportation, a Federal Power Commission, and an Atomic Energy Commission. In 1973 Congress added the Federal Energy Administration to centralize all regulatory functions relating to oil. The Energy Research and Development Administration came into existence in 1974. In October 1977, the Department of Energy brought all these governmental functions together into a single organization under the direction of a Secretary of Energy.

This observation of demonstrable facts raises a fundamental question: was the growth of government intervention in all matters of energy the cause or effect of the painful crises that developed during the

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1970s? If it can be proven that government intervention brought about the dilemma in which we find ourselves today, the solution can be no other than early reduction and ultimate abolition of this harmful intervention. But if the causes are found to be elsewhere, and the growth of government was merely a reaction to a new situation, we need to search for other solutions.

Surpluses and Shortages

Our search for an objective answer calls to mind a basic principle of political economy that may be applicable also to energy problems: whenever unhampered enterprise provides products and services, it tends to create surpluses that clear the market only through major sales campaigns. Its advertising message to the consuming public is to buy ever more and better products. Wherever government provides products and services, it invariably creates shortages that inconvenience the public and sometimes bring economic crises. Wherever government is in charge, its advertising message is always the same: consume less, eat less, drive less, let there be austerity! This has not changed from the wheat and bread shortages of 1918 to the gasoline shortages of 1979.

Where government is in charge and shortages inconvenience the public, we can observe yet another regularity. Through intensive publicity campaigns government officials and politicians point the finger of blame at one or several culprits who are bitterly denounced for selfishly causing the shortages. In televised press conferences the President of the United States himself may make ugly charges against oil producers, or any other producers whose regulated services are in short supply. Or he may point at some foreigners, e.g., the Arabs, as the culprits who sinisterly inflicted the evil on us.

When unhampered individual enterprise generates surpluses, there are no press conferences, no headlines and no charges. The public looks at them with indifference in a mood of affluence that comes from choice and selection. The press ignores them although it prospers from the paid advertisements that seek to market the products. Radio and television thrive on advertisement campaigns that pay for the amusement and entertainment of the public.

But all such reflections may reveal mere coincidences that have no bearing on the energy crisis. Perhaps the politicians are correct in pointing at the OPEC countries for charging too much, at the oil companies for seeking ever higher profits, and at the public for consuming too much.

In that direction of deliberation

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lies a wide open sea of arbitrary judgments. What is "too much"? Millions of people are giving different answers to this very question throughout their busy days. They are making their choices as they are consuming oil and gas for heat, refrigeration and air conditioning, turning on electric lights, operating power tools, or driving up to the service station to tank up on gasoline. They are giving vivid answers to the question in long lines waiting to buy more fuel. We must not blithely ignore or reject their answers, nor those given by the oil companies or OPEC spokesmen.

If millions of people are said to be wrong wanting too much, is it not likely that the critic who is censuring them is judging too much? Is he proposing to change human nature by his criticism? Or, is he a would-be tyrant who is longing to impose his judgment and will on others? To explain the energy crisis in terms of value judgments or culprit condemnations is to open the gates for arbitrary judgment and political power.

Is OPEC Causing the Fuel Crunch?

Such an explanation also leads to puzzling conclusions that seem to contradict human nature. If the Arab oil producers are causing our dilemma, why are they not accomplishing identical, or at least similar, effects on other nations? It is an established fact that they are treating their customers equally, charging identical prices and surcharges. But we know of no energy crisis other than ours. There are no reports of empty gasoline pumps in Europe, Africa, Asia, or Latin America, no empty oil tanks anywhere, except in these United States of America.

This observation is all the more startling as most of the oil we consume comes from wells within our national borders, while most foreign countries, such as Germany and Japan, lack any domestic production. And yet, they are prospering although the price of Arab oil has soared in those countries too. Surely, they too feel the pinch of rising energy costs, which reduces their productivity and income by corresponding amounts. Rising oil costs necessitate many changes in goods prices and readjustments of production patterns. But they do not breed an energy crisis that threatens to disrupt economic production and reduces standards of living severely.

Our energy crisis is all the more mysterious inasmuch as OPEC is accepting the United States dollar as its primary medium of exchange. Other buyers of Arab oil must scramble to earn dollars first before they can place oil purchase orders. But Americans can use their own currency for any quantity of Arab oil

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they may wish to acquire. Our monetary authorities may create any amount without cost, and thus facilitate the payment of Arabs with newly created money. That is, they can avail themselves of inflation as a tool of international finance, which partially shifts the burden of rising oil costs from the energy users to inflation victims. Thus the United States can victimize the Arabs themselves, who own large dollar balances, by exporting inflation in exchange for Arab oil.

It is obvious that such objectionable devices of international finance do not make for international peace and harmony. Since the United States was exporting inflation long before the oil producers combined to form an international oil cartel, we may understand the Arab reaction that led to OPEC. To them, joint action afforded the only way to adjust the price of oil to the ever-rising demand for oil payable in depreciating dollars. After all, there was no free and open Arab oil market on which the daily demand and supply determined the price.

Under Government Management and Control

The OPEC oil industry is a nationalized industry owned and managed by the member governments. They legislate every aspect of the industry from the allowable quota of production to the price of the product, and determine who may buy under what conditions, and so forth. Theirs is a political process that is very slow to adjust. When compared with the market process that facilitates adjustments from day to day, yea, minute to minute, the political process of managing an industry and marketing its products may appear irrational although its political planners are deliberate in devising their plans and adopting their policies.

In such a world of politics that seeks to manage nationalized industries, there is confusion and chaos—unless the governments as owners agree on a common plan and act jointly to restore some semblance of order. The international cartel arrangement is a natural manifestation of a world economy in which export industries are government owned and operated. It also points up the growing danger of international conflict through world-wide socialism.

It is idle speculation to deliberate on the world market of oil if market forces were unhampered and free to determine prices. If there were no OPEC, no nationalized oil industry, and no Department of Energy regulating and fixing United States production—just unhampered markets and unrestrained competition—the energy world would be quite different. Surely, the price of oil would be much lower without the stagger-

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ing costs of politics. And there would be no energy crisis.

Are the Oil Companies Gouging the Public?

To many critics, Arab behavior alone does not explain the energy crisis. They are pointing at the oil companies whose profits have been rising in recent years. Most politicians and even the President of the United States are openly denouncing the "disgraceful" and "exorbitant" profits and are demanding a tough "windfall profits" tax. Some politicians even are clamoring for a speedy expropriation and nationalization of the companies.

It is difficult to ignore this crescendo of cheap demagoguery, which, when left unanswered, may lead to most harmful and regrettable legislation. Every effort must be made to refute and explode the political propaganda and repel the politicians who are anxious to extend their influence and power. Their attacks on the profits of one industry actually are attacks on the profits of all industries and on the profit system itself. Just listen to their charges against the energy industry. You will search in vain for a difference between those charges and those leveled against the private property order by the professional socialists and communists around the world.

It is rather inconsistent and therefore most puzzling that American politicians should be the most vocal critics of an industry that has been under their careful supervision and control. After all, the Nixon price control edict of August 15, 1971, was never lifted from the energy industry. Even today the ceiling prices as set by the Department of Energy are posted on every gasoline pump in the country.

The political attacks on the very industry that, under a heavy barrage of regulations and denunciations, continues to provide us with energy remind us of some gruesome tales of human behavior during the Dark Ages. When the black death was stalking Europe, public sentiment was often aroused against those people who bravely sought to alleviate the suffering, comforting the dying and healing the sick. Thousands of aging women who survived the disaster were accused of precipitating the disease through witchcraft and were put to a cruel death. Similar forces of darkness now accuse the American oil industry, which provided the people with an abundance of cheap energy for most of this century, of creating the shortage in order to reap ever higher profits in a moment of national crisis. Surely, no person will be put to death, merely our economic order.

At the trial of the private property order the defense is pointing out that the Government of the United States is enforcing energy prices

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that are arbitrary and confiscatory. They are fixed below those prices free people would choose to pay if there were no mandated ceilings. That is to say, the Government is forcing energy producers to sell their products and services below their objective exchange values and thereby causes the producers to be gouged on a massive scale. If a company tires of this legislated plunder and for a moment should ignore the price edict, it is hauled into court and charged with consumer gouging. That is, the political gougers are taking the victims to court and accusing them of the very crime that is perpetrated against them. If there were justice in the court of public opinion, the charges would be promptly dismissed and the persecutors would be arrested for expropriating private property without due process.

Groundless Charges

The charges against the energy companies are based on the crude assumption that their profits are the evil fruits of worker exploitation and consumer gouging. Profits are the scourge of greed and egotism, which is the charge all socialists and communists are making against the private property order. A mere glance at the living and working conditions of the people in capitalistic countries vividly disproves the charges. When compared with the conditions in the socialistic countries, the American people are living in a land of milk and honey, enjoying far greater material comforts and cultural opportunities. The steady stream of refugees and immigrants to American shores is illustrating the point.

Blinded by socialistic propaganda, the critics of the profit system fail to see its inherent benefits and justice. What is a profit, after all? It is the remainder of proceeds after all factors of production have been fully compensated. Businessmen may earn it through efficient management of their resources in the service of their customers. The most efficient producer earns the highest profits, which give him the means to expand his production and render even more services. Surely, the profits thus earned benefit the people through more and better production. Similarly, the workers employed by profitable enterprises enjoy higher wages and more benefits than others less fortunate who happen to work for employers suffering losses.

Exceptionally high profits can only be reaped through the correct anticipation of changes. When a change in market conditions, e.g., in demand, supply, technology, institutional restrictions, international situations, and the like, necessitates quick readjustments in production, the most alert producer who correctly anticipates the changes and

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makes prompt preparations, may reap high entrepreneurial profits. His alertness and prompt action redound to the benefit of the public. In short, he who addresses himself to the most urgent needs of the public tends to earn the greatest rewards, which, as an economic principle of the market order, meets our criterion of justice. In an energy crisis, we expect the most efficient energy producer to earn the highest profits, as we would expect physicians and nurses to earn highest incomes in a public health crisis. To burn them at the stake of political demagoguery is preposterous.

It is so Easy to Create a Shortage

The public hostility against business profits has brought chaos to the fuel pump. It has given rise to ever more government regulation, which is the root cause of the energy crisis. Politics has become hopelessly entangled in the production and distribution of energy.

In 1954 the Supreme Court set the tone by giving the Federal Power Commission control over natural gas prices in interstate commerce. These controls at first did not hamper production because they did not deviate by much from prices established by the demand and supply forces of the market. But during the 1960s, the United States Government legislated significant increases in demand and boosts in production costs. Environmental restrictions and pollution regulations that discourage the burning of coal, favoring the use of gas and low-sulfur fuel oil, mandated increases in consumption and made production much more expensive. In addition, the inflationary policies of the Government eroded the purchasing power of the dollars received by energy producers.

In 1971, President Nixon placed domestic crude oil under price control as part of his overall price-stop edict. While many other harmful controls were subsequently lifted, the price fixing of domestic oil and gas was continued. His successors continued to fix with vigor and force.

It is always much easier to prevent production and create shortages than to engage in productive activity. Every freshman economist knows how to create an energy shortage: impose rigid price ceilings, reduce the real price through monetary depreciation, legislate an increase in demand and raise the costs of supply. To make matters worse, he would impose substantially higher taxes on crude oil production, on the use of natural gas by industry and utilities, and boost the Federal gasoline tax. To intensify the pain of shortage and compound the confusion, he would entrust government officials with administering a ration coupon system that would allocate the scarce supply according to their

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rules of "fairness." And finally, to prolong the chaos he would create an economic incentive for hoarding the given supplies. For instance, on every first day of the month he would permit gasoline producers to raise their prices by less than they anticipate earning through storing their supplies until the controls are lifted. He would openly announce his program and pursue it for 28 months in order to assure maximum hoarding for 28 months. If it were not for the limitations of storage facilities he would cause all production to be withheld from the market.

Unfortunately, this is not just a theoretical exercise for freshman economists. This is the official policy of the United States Government, or at least the loudly touted program of the present administration. It touches 200 million Americans and threatens their way of life. It is an efficient policy in creating shortages, as our experience at the gasoline pumps so clearly demonstrates. As a policy designed to improve economic conditions it is counterproductive. The resultant chaos and damage is just as real, whether the policy is the poisonous fruit of socialistic thinking, or just a relic of the Dark Ages.

IDEAS ON LIBERTY

The History of Price Fixing

ONE of the most frequent methods of control used has been the limitation of prices by legal enactment. The results have been astonishingly uniform considering the variety of conditions and circumstances under which the experiments have taken place. . . .

The history of government limitation of price seems to teach one clear lesson: That in attempting to ease the burdens of the people in a time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater. Among these ills are: (1) the withholding of goods from the market, because consumers being in the majority, price fixing is usually in their interest; (2) the dividing of the community into two hostile camps, one only of which considers that the government acts in its interest; (3) the practical difficulties of enforcing such limitation in prices which in the very nature of the case requires the cooperation of both producer and consumer to make it effective.

MARY G. LACY, *Food Control During Forty-Six Centuries*

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Gary North

"Sorry, No Further Bids!"

AUCTION PRICES are still front-page news in my city, Durham, North Carolina. Anyway, tobacco auction prices are. You can still go down to the tobacco warehouses and listen to the incredible sound of the staccato-voiced auctioneers, just like the fellow on the old Lucky Strike radio commercials. It's a heck of a lot more interesting than reading computerized signals on some cathode ray tube.

The auction process seems to me to be the quintessence of market exchange. An economy really is a giant auction, with buyers and sellers assembled together in order to see who is willing to pay the highest price (or offer the most goods) to get what he wants. The fact we always tend to forget in a supermarket is driven home to us on the floor of an auction: buyers compete against buyers, not against the sellers. And since people can always go to another auction, sellers compete against sellers. Only insofar as the auctioneer succeeds in getting the highest bid from a buyer can he be said to be a competitor to a buyer—and then only to the next-to-the-last buyer. The seller is the spinner of dreams, the master in presenting the vision of previously ignored opportunities, and the buyers always have the option of foregoing yet another dream or potential opportunity.

As you may infer, I like auctions. They fascinate me.

I suppose this fascination with auc-

Dr. North is editor of *Biblical Economics Today*, available free on request: P.O. Box 8567, Durham, N.C. 27707.

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tions led me to the following fantasy. Imagine the floor of some country auction. Fifteen enthusiastic bidders are standing in front of the auctioneer's booth, and he has just brought forth some splendid example of a previously ignored opportunity. The bidders begin to drool. Each one knows that he just has to have it. Today.

Imagine also that the rules of the auction are simple. Each bidder has a can full of money behind him, and in order to make his bid, he has to reach into the can, pull out a quantity of paper bills equal to his bid, raise them into the air, and call out his bid. No cash—no bid.

The bidding begins. Everyone meets the opening price of $95 suggested by the auctioneer. He knows now that he has a hot one on his hands. Upward climb the bids, with all 15 participants staying in the competition.

Enter the Money Man

Then a most peculiar thing takes place. A man with a uniform begins to dart behind one or another of the shouting bidders, almost at random (yet not quite), depositing newly printed currency in their money cans. Each participant smiles when his refill comes. The bids continue upward. No one leaves the floor.

After the price has climbed steadily to $250, the participants begin to worry. The highest bid ever offered for one of these was $198, back in 1974. Yet the bidding is only warming up. The uniformed man scurries faster, shelling out the cash. Up and down the bidders go, like drunken marionettes, leaning over to grab more cash, standing up again to wave ever-fatter fistsful of money at the auctioneer.

At $275, some of the bidders start dropping out, grumbling about the insanity shown by the others. They start calling for some sort of government regulation of bidding. This panic has to be stopped before it gets out of hand, they say. Yet the uniformed man keeps scurrying, and the others continue on, undaunted: $300, $350, $475. It's pandemonium on the floor.

Even those still bidding start grumbling. Maybe the government really ought to do something dramatic, to bring people (other bidders) to their senses. But not one of them thinks to tell the frantically scrambling man with the money to stop putting new cash in *his* bucket. After all, that fellow represents the government, or a properly chartered agency of the government. He's supposed to know what he's doing. Besides, each person thinks to himself, "maybe—just maybe—that guy will stop right after he makes his final deposit in *my* bucket." But he doesn't stop.

Finally, only eight people are left on the floor. With one breath they

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cry out a bid, and with the other they call for some sort of Federal intervention, such as controls on panic-induced prices. It's up to $750. How long can this go on, anyway? (The answer is fairly simple: about as long as the fellow in the uniform keeps on passing out the paper money, plus a few more bids. When the cans are empty, this auction is over.)

By Order of the Government Market Closed

Finally, in response to tremendous political pressure from the bidders, a second government official steps onto the floor. This one is wearing a badge. Under his coat there is a bulge, and it doesn't appear to be a wallet. "That's it, ladies and gentlemen," he announces. "No further bids."

At last, the government has acted decisively. The participants are relieved. The insanity—*their* insanity—has been officially called to a halt. "The auction has been saved," announces a high-level government official, "from itself."

There is a problem still remaining, however. Eight people are still waiting on the floor, and each one is as convinced as before that the item in question ought to be his. Each one knows in his heart that his next bid would have been the final one, the one which would have driven his competitors from the floor. Now the bids are legally frozen. Each one feels cheated out of what was almost rightfully his.

Question: Who gets to take it home? Another question: What criteria should be used, not to mention will be used, to determine who takes it home?

There are several possibilities. There is "first come, first served." Who made that first high bid in the round immediately preceding the freeze? Who was quickest? (Had he guessed that a freeze was imminent? Had be been tipped off?)

Another possibility: Who has been coming to this auctioneer's auctions the longest, spending the most money over the years? Who deserves a favor? "Buddy, you've got it!"

Then, again, there's good old Phil Turner. *Sheriff* Phil Turner. "Well, it looks like you've bought it, Phil," says the auctioneer. "I sure hope you like it. Don't forget where you got it."

Of course, there's the old "39-24-36" method. "You, my dear, just bought the prize. Pick it up in my office, right after the auction." A time-honored method, to be sure.

Yet it's altogether possible that the auctioneer doesn't regard any of these approaches as the best. Maybe he decides that this little gem ought to be saved to be auctioned off some other day. Why not take it home? Why sell it at a rigged price?

Is this fair? Is any one of these

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methods fair? After all, the auctioneer is a profit-seeking seller. Why should he be allowed to make these decisions? The official with the badge may call over the official with the cash, peel off a few bills, hand them to the auctioneer, and announce: "The people need this. The people shall get it." Then he takes it back to the office. Or perhaps to the local office of the GSA.

Black Markets

I'll tell you this much. There will be other auctions. The auctioneer will be back. But future auctions will not be advertised openly. "Midnight auctions" will take the place of open ones. Officials will not hear about many of them in advance. Not the guys wearing badges, anyway.

The money-providing officials will be approached by all participants beforehand, each one pleading for his refills before the next auction. Some people will get their money, too, since there's plenty more where that came from these days. The bids at the midnight auctions won't be getting any lower. Count on it.

So if you decide to show up, if only because these will be the auctions where the serious bidders and auctioneers will gather to auction off the only goods worth paying for, then make your plans early. Get a very large can, and find you one of those money-producing officials. Get your pitch ready now; you'll need a good one.

And for those of you who plan on sticking with the open, buyer-protected auctions approved and licensed by the government, come early, and bring along a couple of gifts for the auctioneer. In any case, you're only going to get those items left behind by the guys with the badges. ⊕

IDEAS ON LIBERTY

The Failure of Controls

FOR those who find the proof of the pudding only in the eating, history affords continuous and ample evidence, since the first known price control laws were enacted in Babylonia 3,800 years ago. They failed of their purpose, as has every similar attempt in recorded history since that time.

It is ever the same. When a government inflates the money or some other cause pushes prices upward, attempts are made to conceal the symptoms, rather than to attack inflation at its source or otherwise get at the root-cause. The attempt is made to adjust the scale on the thermometer by edict, rather than to cure the fever that causes the mercury to rise—so to speak. The treatment applied to the fever victim is to throw him into a deep-freeze.

F. A. HARPER, "Stand-by Controls"

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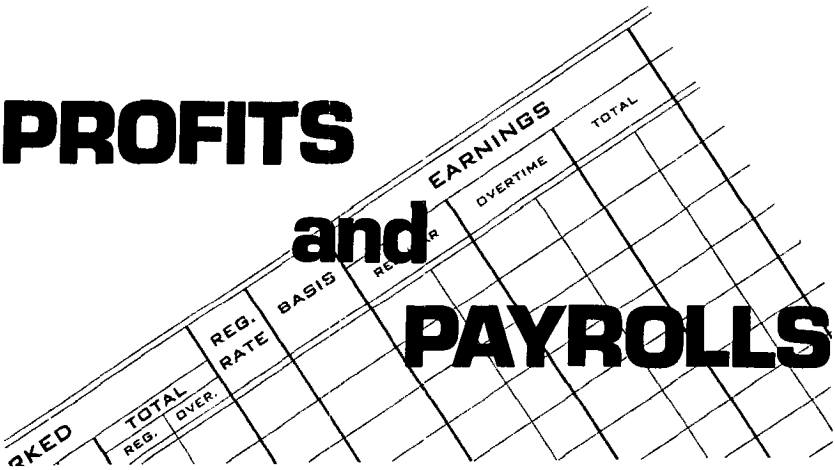
Henry Hazlitt

PROFITS and PAYROLLS



THE most persistent and widespread economic myth for nearly the last two centuries is that the mass of the workers are inexcusably underpaid. This contention was put forth in its most extreme and vehement form by Karl Marx and Friedrich Engels in *The Communist Manifesto* in 1848. The workers, they tell us, are mere "slaves" of the bourgeois class; they are systematically "oppressed"; they are subjected to "naked, shameless, direct, brutal, exploitation."

Insofar as Marx and Engels offered any argument for this accusation, it was based on David Ricardo's worst mistake, the Subsistence Theory of Wages, in turn derived from the Malthusian doctrine that population persistently tends to outgrow the means of subsistence, and therefore wages tend to fall to or stay at the minimum level at which workers can maintain life.

Marx and Engels combined this with another false but apparently indestructible Ricardian error—that prices are determined by costs of production. But they gave the doctrine a sinister twist of their own: The cost of production of a worker is merely the cost of barely keeping him alive. So: "The average price of wage-labor is the minimum wage, i.e., that quantum of the means of

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Henry Hazlitt, noted economist, author, editor, reviewer and columnist, is well known to readers of the *New York Times, Newsweek, The Freeman, Barron's, Human Events* and many others. Among the more recent of his numerous books are *The Inflation Crisis, and How to Resolve It* and a revised edition of *Economics in One Lesson*.

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subsistence which is absolutely requisite to keep the laborer in bare existence as a laborer. What, therefore, the wage-laborer appropriates by means of his labor merely suffices to prolong and reproduce a bare existence."

This grotesque logic sufficed for Marx and Engels. They never condescended to consult the facts. They made no distinction between the pay of unskilled and the most skilled labor. And for some reason which they did not explain, the whole subsistence theory would cease to apply once socialism were adopted.

They admitted that in the preceding hundred years, capitalism (which they then called "the bourgeoisie") had "created more massive and more colossal productive forces than have all preceding generations together." But apparently none of this went to the workers; none of it raised wages. They even argued that increased machinery "nearly everywhere reduces wages to the same low level," and that the chief effect of "the unceasing improvement of machinery" is to make the livelihood of the workers "more and more precarious."

In *The Communist Manifesto* the explanation of why the wages of labor can never rise above a mere subsistence level is given barely half-a-dozen lines. When, years later, Marx attempted to elaborate this explanation in his three-volumed *Das Kapital* (Volume I in 1867, and Volumes II and III completed by Engels in 1885 and 1894 respectively after Marx's death in 1883), Marx fell into so many contradictions and so much obfuscation that the book is all but unreadable. In an analysis published in 1896, the Austrian economist Eugen von Boehm-Bawerk made mincemeat of the whole argument. Yet in spite of their flagrant absurdities, Marx's theories, giving unmatched expression to class hatred, continue to wreak increasing devastation in the world after more than a century.

> The most persistent and widespread economic myth for nearly the last two centuries is that the mass of the workers are inexcusably underpaid.

Marx never attempted to state exactly what percentage labor was paid of the value of the product it helped to create. But in 1905 a prominent socialist, Daniel De Leon, misinterpreting some figures in the United States Census of Manufactures, declared that the American worker got only $20 for every $100 worth of goods that he produced, and that "somebody else" got the other $80. This misstatement was endlessly repeated—and accepted—by many politicians and others who should have known better.

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> In spite of their flagrant absurdities, Marx's theories, giving unmatched expression to class hatred, continue to wreak increasing devastation in the world.

Substantially the same belief persists today. Public opinion polling by the respected Opinion Research Corporation has found that the consensus of most Americans is that in the two-way division between aggregate corporate employee compensation and the net profit after taxes left for the stockholders, the latter get about 75 per cent and only 25 per cent goes to the employees.

The truth is the exact contrary—and even more than that. Preliminary figures for the calendar year 1978 show that the employees of all the corporations of the country received 89 per cent of the two-way split and the stockholders were credited with net profits after taxes of only 11 per cent. For the last year for which final figures are available, 1977, the employees got 89.4 per cent of the division and the owners were credited with net profits after taxes of only 10.7 per cent. They did not actually receive that much, but dividends amounting to only 4.5 per cent of the combined total.

In the whole thirty-year period from 1949 through 1978 inclusive, the employees received an average of 88.1 per cent of the two-way division, the stockholders were credited with an average of 11.9 per cent, and the actual dividends they received came to only 5.3 per cent.

These are official figures. In Table 1 at the end of this article, I present the dollar figures for each of the last thirty calendar years—of total employee compensation for all of the country's corporations, of profits after taxes, of the sum of these two, and of the amount of dividends paid. In Table 2, I show how these sums compare with each other when converted into percentages.

Before going on to point out some of the crucially important conclusions to be drawn from these figures, I should like to say a few words about the figures themselves. They have been compiled by the Bureau of Economic Analysis of the United States Department of Commerce since the early 1930s. They exist for every year since 1929. Yet they are one of the world's best-kept economic secrets.

The reason for this is that until very recently these annual figures were published only in the July issue each year of the Department of Commerce monthly *Survey of Current Business.* This document publishes each month some 40 pages of statistical tables. There are an average of 70 lines to a page, and about 16 columns of figures, making about

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1120 separate figures on each page, about 44,800 figures per issue, and 537,600 figures per year. Out of this huge total there are about 40 figures each year—confined to the July issue—summing up the results for the preceding year of the total and the distribution of corporate earnings. This means that these corporate statistics are found in barely one figure in 10,000—and all in the same tiny type as all the rest.

> For the last thirty years the employees of this country's corporations have been receiving an average of eight times as much from them as has been credited to the stockholders.

It is not surprising that they have escaped general attention, or apparently even the attention of the great majority of statisticians and economists.

But at this point I should like to pay tribute to two publicizers—one an institution, the other an individual. The institution is the American Economic Foundation, which started to call attention to these payroll-and-profit-division figures sometime in the early forties. The individual is John Q. Jennings, who started to emphasize them in 1939, and who in recent years has conducted practically a one-man campaign in reiterating, promulgating, and pounding in these distribution figures and their implications. For the most part he has met with little success, but he recently found a receptive hearing in Australia. At his suggestion, Australia's Prime Minister Fraser prevailed upon employers to publish and give prominence to this percentage distribution in their own companies. More than 200 corporations complied. This seems to have had a real effect in limiting union demands and reducing the number of strikes in that country.

Now, when nearly half (46 per cent) of net corporation profits of the larger corporations in the United States are seized for taxes, when on top of this a so-called "windfall profits" tax is being proposed on oil companies, when the public is being told from all sides that corporate profits are "disastrously" high and even "obscene," it is time some of the rest of us started calling more attention to the real facts.

Let us begin with a closer examination of the figures showing the division of corporate earnings between employees and stockholders.

If the reader compares the figures in the thirty-year tables year by year, he will find that in every year, with the sole exception of 1958, total dollar payrolls exceeded those in the year preceding. This is not true of profits after taxes. In eleven out of the thirty years, dollar profits failed

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to rise over the preceding year. (Both of these results might be changed somewhat if allowance were made both for the declining purchasing power of the dollar and for corresponding accounting adjustments.) But the figures do emphasize that payrolls and profits tend to rise and fall together. This, of course, is because corporate employment and payrolls are determined by present profits and the prospect of future profits. *Any government action that seriously reduces profits must diminish employment and payrolls as well.*

We also find a striking difference when we compare the division between payrolls and profits-after-taxes in the first ten years of the thirty-year period with the division in the last ten years. In the last ten years, employees have been getting an average of 90.2 per cent of the combined total available for division between the two groups, and stockholders an average of only 9.8 per cent. But in the first ten years in the table—1949 to 1958 inclusive—employees were getting an average of 85.9 per cent and the stockholders of 14.1 per cent. The difference is mainly owing to the higher rates of corporate taxation now imposed.

The contrast remains sharp if we carry our comparisons back even a little further. The figures in my tables have been compiled from those that have appeared over the years in the *Survey of Current Business*. But at least in the last few years, it is reassuring to report, a table containing similar figures has been appearing in the annual *Economic Report of the President*. This is a real gain; but the statistical secret has been still pretty well kept because the figures appear on merely one out of 124 tables in the *Report*, and even that table contains five times as many annual figures as the three we are comparing.

> Any government action that seriously reduces profits must diminish employment and payrolls as well.

The statistics presented in the *Report* are not the totals for all corporations but merely for "nonfinancial" corporate business. This fortunately turns out to make little practical difference. In 1977, for example, the combined sum available to the nonfinancial corporations for distribution between employees and stockholders was 94 per cent of that for all corporations. The nonfinancial corporations paid 89.7 per cent of this sum to their employees as compared with 89.4 per cent paid by all corporations.

The *Economic Report* carries these nonfinancial corporation figures back to 1929. There is an instructive comparison between what

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happened in 1929 and in 1933. In 1929, 81.6 per cent of the total available for both employees and stockholders went for payrolls; 18.4 per cent remained for profits after taxes. In 1933, 99.4 per cent of the combined sum available went to employees; only six-tenths of 1 per cent was left for profits after taxes. A union leader who knew nothing more about the facts than this might conclude that in 1933 labor was at last getting its "fair share." But when we compare dollar totals, we find that nonfinancial corporation employees received $32.3 billion in 1929, but only $16.7 billion—barely more than half as much—in 1933. The reason is that corporation profits after taxes in 1929 came to $7,300 million, while in 1933 two-thirds of the corporations lost money, and the total net profits left after taxes were only about $100 million. In recent years 35 to 40 per cent of all corporations have annually been reporting losses. Corporations losing money cannot long provide jobs. *Employment, payrolls, and profits rise and fall together.*

Even if this statistical series of the division of corporate earnings were not available to us, other figures have long shown that employees get the lion's share of the national income. The *Survey of Current Business* for March 1979 places the national income for 1978 at $1,703.8 billion, of which $1,301.4 billion, or 76.4 per cent, went in compensation to employees. This does not mean, of course, that the other 23.6 per cent represented profits. Most of it went to millions of farmers and independent proprietors, owners of small stores—grocers, butchers, bakers, druggists, stationers, barbers, tailors—as well, of course, as to doctors, lawyers, or professional prize fighters.

The truth is that—when recalculated to allow for the distortions of inflation—corporate profits are still far too low for the health of the American economy.

Corporate profits after taxes nominally came in 1978 to $118.2 billion, but after the Department of Commerce had made realistic accounting deductions from this inflated figure for "inventory valuation and capital consumption adjustments," these profits after taxes came to only $75.6 billion, or 4.4 per cent of the national income. It is these profits that one high Federal official recently denounced as "catastrophic."

The truth is that—when recalculated to allow for the distortions of inflation—corporate profits are still far too low for the health of the American economy. As George Terborgh, economist for the

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Machinery and Allied Products Institute, has pointed out (April 1979 bulletin) *real* corporate profits increased in 1978 only 11 per cent—less than the 13 per cent rise in the GNP. He went on to point out that adjusted after-tax profits of all corporations, as calculated by the U.S. Department of Commerce, were only 5 per cent of their gross product in 1978, and only 5.3 per cent of their gross product even in the fourth quarter of that year, compared with an average of 8.6 per cent during the pre-inflationary period 1947-1965. In short, because of insufficient allowance for inflation, American corporations have been reporting phantom profits. "What inflation has done," concludes Mr. Terborgh, "is to devastate *real* profits."

This conclusion is confirmed by the recent slowdown in the American rate of productivity improvement. Measured against 1967, our productivity growth has been sharply below that of Canada, West Germany, Japan and other nations. According to figures compiled by the Council of Economic Advisers in the January 1979 *Economic Report,* productivity was increasing between 1948 and 1955 by 3.4 per cent a year. In the period from 1965 to 1973 this fell to 2.3 per cent, from 1973 to 1977 to 1 per cent, and from 1977 to 1978 to four-tenths of 1 per cent (p. 68). The main reason for this is a falling off in capital investment caused by insufficient real profits and a dismal outlook for such profits.

The present political antagonism to profits is in large part the result of the public's ignorance of the real facts about profits, and particularly its ignorance of the close dependence of employment, productivity, and wage-rates on profits. But the managers of American business, I am sorry to report, have been in large part responsible for this public ignorance. There is scarcely a big corporation anywhere whose total payroll is not many times as large as its net profits after taxes. But I doubt that there is one big corporation in ten that makes this fact clear in its annual report to stockholders—or bothers to call attention to the comparison. And there are probably even fewer that call attention to the comparison in special reports to their own employees.

> The top managers of our big corporations have been incredibly shortsighted in failing to reveal to their own employees and to the general public the incomparably greater sums they are paying to their employees than to their owners.

Calling attention systematically to these figures would help the corporations immensely in their labor

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relations—and help them to reduce strikes. Their failure to emphasize or even to make the comparison clear is puzzling. I suspect that the typical management, in preparing its annual report, thinks solely of impressing the stockholders. In its concern to show how well management has done, it tries to show the most favorable profits possible. It seems reluctant to show the stockholders how much more it is paying its employees than it is them. It is not too upset at being compelled by various Federal agencies—including the IRS—to report phantom earnings—to fail to make sufficient deductions, in an inflationary period, from apparent inventory profits and for depreciation and replacement.

Whatever their reasons, the top managers of our big corporations have been incredibly shortsighted in failing to reveal to their own employees and to the general public the incomparably greater sums they are annually and daily paying to their employees than to their owners.

The distributive share between the workers and the owners of big businesses was probably not too much different in earlier generations than it is today. The real difference is that we—at least some of us—now know what the actual figures are. There is no longer any excuse for the rest of us not knowing. *For the last thirty years the employees of this country's corporations have been receiving an average of eight times as much from them as has been credited to the stockholders, and an average of sixteen times as much as the stockholders have actually been paid in dividends.* And in the most recent years of that period, the division in favor of the employees has been even more favorable.

This is the exact contrary of the impression we have been receiving during these thirty years, and are still receiving today, from thousands of books, tracts, "studies," histories, novels, and hundreds of thousands of "news" broadcasts, pamphlets and editorials. As a result of this false impression, this constantly inculcated myth, the politicians in nearly all countries are daily burdening, shackling and sabotaging capitalism, and trying to substitute a socialism that would tend only to universalize poverty. It is the duty of all of us who are aware of the critical facts to try to make them sufficiently known before it is too late.

See tables 1 and 2 on the following pages.

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TABLE 1
(Billions of Dollars)

Year	Compensation of Employees	Profits After Taxes	Combined Sum	Dividends
1978*	$ 896.3	$ 110.5	$1006.8	$ 44.3
1977	776.3	92.5	868.8	39.0
1976	690.2	83.4	773.6	33.9
1975	612.9	67.2	680.1	29.4
1974	585.9	65.0	650.9	26.2
1973	533.3	60.2	593.5	24.6
1972	470.6	49.8	520.4	21.7
1971	423.8	39.7	463.5	20.3
1970	399.3	33.2	432.5	20.7
1969	377.7	40.1	417.8	20.7
1968	340.0	42.9	382.9	20.5
1967	308.3	41.8	350.1	18.7
1966	288.3	44.3	332.6	18.1
1965	259.7	41.1	300.8	17.6
1964	239.1	33.6	272.7	16.0
1963	222.6	28.9	251.5	14.5
1962	211.0	27.0	238.0	13.3
1961	195.6	23.5	219.1	12.3
1960	190.8	23.9	214.7	12.0
1959	180.7	26.2	206.9	11.3
1958	164.1	20.4	184.5	10.6
1957	166.7	23.6	190.3	10.9
1956	158.4	24.8	183.2	10.5
1955	144.9	24.8	169.7	9.8
1954	132.4	19.1	151.5	8.7
1953	134.2	19.1	153.3	8.5
1952	123.2	18.4	141.6	8.2
1951	114.7	20.2	134.9	8.1
1950	98.8	23.7	122.5	8.4
1949	89.0	17.9	106.9	6.9

*Third quarter annual rate seasonally adjusted.

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TABLE 2
(Percentage Division)

Year	Compensation of Employees	Profits After Taxes	Dividends
1978*	89.0%	11.0%	4.4%
1977	89.4	10.6	4.5
1976	89.2	10.8	4.4
1975	90.1	9.9	4.3
1974	90.0	10.0	4.0
1973	89.9	10.1	4.1
1972	90.4	9.6	4.2
1971	91.4	8.6	4.4
1970	92.3	7.7	4.8
1969	90.4	9.6	5.0
1968	88.8	11.2	5.4
1967	88.1	11.9	5.3
1966	86.7	13.3	5.4
1965	86.3	13.7	5.9
1964	87.7	12.3	5.9
1963	88.5	11.5	5.8
1962	88.7	11.3	5.6
1961	89.3	10.7	5.6
1960	88.9	11.1	5.6
1959	87.3	12.7	5.5
1958	88.9	11.1	5.7
1957	87.6	12.4	5.7
1956	86.5	13.5	5.7
1955	85.4	14.6	5.8
1954	87.4	12.6	5.7
1953	87.5	12.5	5.5
1952	87.0	13.0	5.8
1951	85.0	15.0	6.0
1950	80.7	19.3	6.9
1949	83.3	16.7	6.5

*Third quarter annual rate seasonally adjusted.

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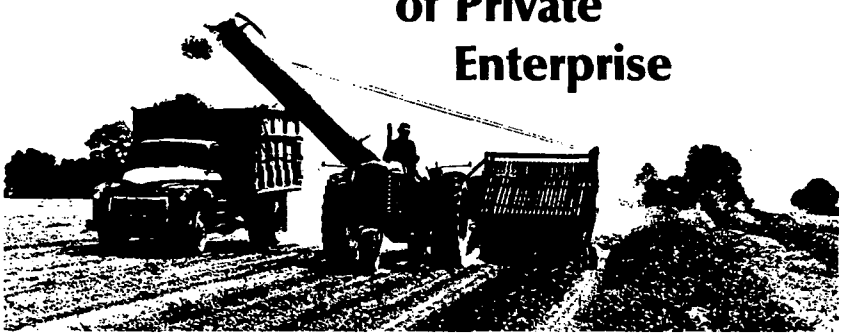
Ed Grady

Agriculture and the Survival of Private Enterprise



ONE of the most compelling problems we face, as a nation and as a people, is embodied in the question, "Can private enterprise survive in America?"

And my answer to that question is a qualified one: "Yes, private enterprise can, and shall, survive in America . . . providing":

- providing that as Americans we quit taking it for granted
- providing we understand what makes our system tick
- providing we learn how to make both an emotional and intellectual sale in behalf of freedom
- providing we care enough to make the good fight.

And what is agriculture's role in the survival of free enterprise in America? Simply put, it is to demonstrate our ability, and our willingness, to measure up to the test provided by each of these provisos. This we are determined, and dedicated, to do.

If we demonstrate as much integrity in organizing support for freedom as its opponents have demonstrated in attacking it, then no question but that we shall win the battle.

If there is one lesson that history tells us again and again it is that concentration of power and authority in "big government" is, eventually and certainly, followed by the loss of personal freedom. And let us never forget that no man's future is safe in the hands of a political philosophy that is willing to buy today's popularity with tomorrow's agony.

Mr. Grady, now manager of the information division of the Minnesota Farm Bureau Federation, has for more than 30 years been professionally telling the story of freedom.

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Economic freedom is the foundation of political freedom. The two are inseparable.

Make no mistake about it; every time we transfer reponsibility and power to a central government, we transfer responsibility and power away from the people.

All of us—the businessman on Main Street and the businessman on the farm included—need a basic understanding of what it is that makes private competitive enterprise go.

The mainsprings of the system are four in number:

(a) Most property privately owned;
(b) Most property privately managed;
(c) Most property operated for a profit, not necessarily at a profit; and
(d) All this under circumstances in which competition prevails.

All production—all civilization, in fact—rests on a recognition of and respect for property rights. A private enterprise system is impossible without security of property; it is possible only within a framework of law and order and morality.

When a man's property rights are protected, he is able to retain and enjoy in peace the fruits of his labor. This security is his main incentive, if not his only incentive, to labor creatively. If anyone were free to confiscate what the farmer had sown, fertilized, cultivated and raised, he would no longer have any incentive to sow or to reap.

Profit is the life blood of a free economy. The opportunity to make a profit (or the opposite, the discipline of possible loss) is the invisible hand, as it were, that guides production and distribution. And in guiding the economy to the satisfaction of society's needs, the profit system does what no central authority is capable of doing as well—even granting that the authority might be staffed by the most brilliant planners and the best able managers among us.

It is said at times that many are willing to trade freedom for security. Even if they were to receive that for which they traded, it would be a bad bargain. But the sad and frightening fact is that when a people seek to obtain security by turning over power and responsibility to government, they lose both freedom and security.

What we must recognize, of course, is that there simply is no real security in any form of society that rests upon centralized political and economic control.

Life in such societies is grim and drab and desperate. The opportunity of the individual to better himself is hamstrung by restrictions and frustrations and limitations which stifle initiative and suffocate progress. The individual in this kind of situation becomes a mere cog in a

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rusty, creaking, poorly-functioning machine.

Our form of society is being battered today by the most subtle and most dangerous threat possible—the destruction of the competitive market system. It is most subtle and most dangerous because it always is done with the avowed purpose of benefiting or protecting some segment of our population.

A Flexible Price System

In our economy, it is a flexible price system that serves as the balance wheel for the whole structure. The price system determines how much of any product we should produce; it adjusts consumption to use what is produced; and it guides the flow of investment to insure the production of what is needed.

Now, if we don't permit the price system to perform these functions, we strike deep into the very lifeline, at the very heart, of our competitive economic system. And if the capacity of the price system to perform its function is destroyed, there remains only one alternative: assign the authority to fix prices to government or, put another way, to political management.

Political management of our price system is inevitably inefficient, cumbersome, backward-looking and costly. Even though the appointed fixers were all-intelligent supermen, it would be impossible for them to operate effectively in a situation in which every decision is affected by political considerations and political pressures. Personal ambitions and bureaucratic policies become major factors influencing every decision.

For a physician, the least profitable patient is a dead one. The next least profitable is the well one. The gold mine is the patient who continues sick, or continues to think himself sick. The nobility of the medical profession is the fact that few of us have ever had an encounter with doctors who exploit this obvious truth.

But not always so with politicians. Many of them parade as physicians to doctor the economic ills of their constituents. Our need for protection from exploitation in this instance is less obvious—but far more necessary.

Government farm policy dating back some 40 years has been so long on promises and so lean on performance because it is borrowed from the strategy and tactics of the coercive society and its centrally-directed and centrally-controlled economy. It serves well neither producers nor consumers.

Thus the all-consuming importance of choices, and how it is that one of our continuing challenges is to discover in advance the eventual consequences of the choices we are called upon to make. This is an abso-

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lute prerequisite not only of successful self-government but essential also to the survival of private enterprise.

The discussion over the years with regard to compensatory payments (target prices, in the current government farm program glossary) illustrates well what it is one or another choice involves.

Basically, what is wrong with the payment approach?

It is not, as advocates even today claim, a device to control production; it is a scheme to control farmers. Nor is it, as some contend, a plan to establish a free market; it is a proposal to wreck markets. Simply put, it provides an engraved invitation for politically-determined limitations on the farm incomes of individual producers—and it's ideally suited to implement the concept of rationing the right to earn on the basis of the politics of equal shares. Instead of easing the cost-price squeeze which plagues farmers in Minnesota and throughout the country, it makes matters worse.

Some years ago, the late Aneurin Bevan and his British Labor Party colleagues published in a pamphlet the basic tenets of their political philosophy. If there is one phrase more than any other that appears time and again in this document, it is the term "fair shares."

Reduced to its most common denominator, fair shares is nothing more and nothing less than a political device for leveling and putting a ceiling on opportunity. This is not the American way; this is the other way!

A moment's reflection on the fair-shares doctrine should make us aware that it is time for individual citizens to reaffirm their faith in capitalism, American style.

Curbing the Intervention

Authoritarian liberals delude themselves into believing they are champions of liberty while favoring creeping coercion as long as they can be authors of the coercion. While they are trying to cure injustice by piling on more government, they lose sight of the fact that all the great struggles for freedom have been directed against the overblown force of government.

There isn't a one of us—in town or in the country—who isn't a target of the propaganda campaign being waged by what I call the "cult of the positive." The conviction of people who make up this breed is that you don't have a "positive" program for solving problems unless you have a program that calls for government intervention, or government involvement—preferably national—and the more widespread the better. These economic meddlers and political peddlers are determined to be positive—even if it means being positively wrong.

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All of which causes me to suggest that if you really know what you're for you won't hesitate to be against anything that is inconsistent with it. If you're for good, solid, juicy crunchy apples, you just have to be against worms. The chaos and confusion arises when people don't know what they're for.

So if you're for the private competitive enterprise system, it won't disturb you to oppose proposals that would wreck the market system. If you're for the voluntary method of solving problems, you'll not hesitate to fight efforts to substitute compulsion or coercion. And if you're for individual responsibility, freedom and opportunity, you'll forthrightly and vigorously oppose anything inconsistent with this fundamental concept.

That's the logic, and the rationale, of liberty.

Dr. Norman Vincent Peale didn't allow himself to be pressed into serving the positive cult. He says that he is a firm believer in affirmative attitudes and is convinced that they are "supremely important in successful living." But he is quick to add: "Affirmatives alone are not enough. This world is full of hope and joy, but it is also beset by evil, immorality and sin. You can't say 'Yes' to these things, or even 'Maybe.' You have to say 'No!' and you have to make it stick."

Happily, most farmers—and most rural Americans—haven't succumbed to the myth that there is a magical way by which governments can create prosperity and high standards of living by either ignoring or flouting economic laws.

Instead of embarking on a political safari in search of the pot of gold that is supposed to be found at the end of the socialist rainbow, we favor building a greater nation, a more appreciative and productive people, and a more responsive community on the rock-ribbed foundation of unparalleled success thus far.

And we do so with an abiding faith that God didn't intend the light of human freedom, nor the private enterprise system so much a part of it, to perish from the earth.

IDEAS ON LIBERTY

James Mussatti

OUR most formidable fortress of defense in time of stress still remains the Constitution of the United States. But it is only as good as our understanding and defense of the purpose for which it was drafted. Eternal vigilance and personal responsibility are still the price of human liberty.

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World in the Grip of an Idea

Clarence B. Carson

32. The Restoration of the Individual

THERE is a logic in thought that we ordinarily see but dimly, if at all. Because we can state ideas separately from one another, it may appear to us that our belief in the validity of a given idea is independent of others. That is not how it is generally, however. The structure that undergirds our beliefs is much broader and more interconnected than we are apt to suppose. It can be likened to the framework of a house. Remove any load-bearing portion of the framework, and the whole house will begin to sag, shift, and settle. Remove the foundation and the whole structure will crumble and fall. This is so for ideas as well. In the thought of an individual this process may occur rapidly. For a society, when it occurs it will take place more slowly, and for an extensive civilization slower still. Even so, the undergirding ideas are as essential to the beliefs of a people as is the foundation to a house. Tamper with them, remove them, and the surface beliefs will no longer have support.

It has been observed that each

In this series, Dr. Carson examines the connection between ideology and the revolutions of our time and traces the impact on several major countries and the spread of the ideas and practices around the world.

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succeeding century is the product of the thought of the leading thinkers of the century just past. Such a judgment is gross and imprecise, of course. A century is an arbitrary division of time, and some ideas have much more immediate impact than that, while others may have much longer duration. Nonetheless, the observation has some validity, at least for recent centuries in Western Civilization. In important ways, it is valid to say that the nineteenth century was the product of eighteenth-century thought, and the twentieth of the nineteenth. Not only do ideas spread and get accepted rather slowly but also there is a time lag between acceptance, exploring their dimensions, and applying them.

Testing Man's Endurance

The idea that now has the world in its grip was shaped and set forth in the nineteenth century. Its application has been in the twentieth century. In its application, it has been a broad and expansive experiment in exercising power over and controlling man. Its experimental character is most apparent in the testing of man's adaptability and endurance. How much can he stand? How much will he take before breaking or resisting? In what ways can he be changed, and how rapidly? The Nazis carried out such experiments most directly in concentration camps. Physicians and scientists conducted experiments with human beings to determine, for example, how much heat or cold they could endure, and for how long. The whole concentration camp experience was an experiment in human alteration and adaptability.

The Soviet Communists were less scientific than the Germans but no less barbaric. Interrogation prisons were testing grounds for human endurance. The Slave Labor Camps were, from one angle, economic experiments to determine how much work could be obtained for the smallest expenditures. The Nazis did this, too, with the workers brought in from surrounding countries. As one historian says, "Once in Germany, they were housed and fed on the general principle of 'exploitation to the highest possible extent at the lowest conceivable degree of expenditure.' "[1]

It is easy to see that those who gave the orders for such undertakings had devalued man, and that those who carried them out were degrading men. It requires only a little greater imagination to grasp that the whole revolutionary socialist effort springs from a devaluation of man and an attempt to reduce him to the point where he is the willing instrument of others. It takes considerably more insight, however, to discern a similar animus behind democratic or evolutionary socialism. The animus

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is often obscured because these gradualists may work within the framework of venerable institutions, proclaim their belief in human dignity and freedom, and move slowly.

Yet, democratic socialism is an experiment, too, an experiment aimed at devaluing man by taking from him control over his affairs. It evinces itself as an experiment to determine how much control over their affairs people will yield up at any given time and how much they will change under the goad of compulsion. The limit at any given time is not so much human endurance as it is how much the electorate will take before they throw out their rulers. The tacit premise of these efforts is that man's value consists in the extent to which he is brought under the control and direction for the use of others.

Bold Experiments

The idea that has the world in its grip did not originate as a conscious devaluation of man nor as an explicit intention to subdue him. On the contrary, it arose at a time when human dignity was held in the highest esteem and when freedom was oft proclaimed as the highest end of man. The nineteenth century was a seedbed of bold and daring conceptions of human freedom. One of the great thrusts going on in that century was the establishment of individual liberty. The animus behind this and the ideas on which they were operating can be traced to eighteenth-century forebears (and further back to Greco-Roman and Judeo-Christian antecedents). But nineteenth-century thinkers pressed on, or so they thought, to something much beyond political liberty. The boldest of them reached for what they conceived to be ultimate freedom—freedom from all restraint and limitation, freedom from God.

Friedrich Nietzsche, the mad German philosopher, proclaimed that God was dead, writing in 1882. In consequence, he said, "we philosophers and 'free spirits' feel ourselves irradiated as by a new rosy dawn by the report that 'the old God is dead'; our hearts thereby overflow with gratitude, astonishment, presentiment and expectation." All things now become possible, or so he seemed to be saying. "At last the horizon seems once more unobstructed . . .; our ships can at last start on their voyages once more . . .; the sea, our sea, again lies open before us; perhaps there never was such an open sea."[2]

Not all who denied the existence of God did so with human freedom in view, so far as we can tell. For some, it was a position arrived at from their philosophy, science, psychology, or what not. Ludwig Feuerbach, who is supposed to have confirmed Marx in his atheism, declared in

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1841 that what men conceive of as God is in reality only themselves. "The divine being is nothing else than the human being, or, rather, the human nature purified, freed from the limits of the individual man, made objective—i.e., contemplated and revered as another, a distinct being. All the attributes of the divine nature are, therefore, attributes of the human nature. . . ." Feuerbach, too, saw what he took to be the implications of freedom in this view. "God is pure absolute subjectivity released from all natural limits; he is what individuals ought to be and will be; faith in God is therefore the faith of man in the infinitude and truth of his own nature; the Divine Being is the subjective human being in his absolute freedom and unlimitedness."[3]

Ernst Haeckel asserted in 1899 that the sciences no longer needed the hypothesis of God to solve "The Riddle of the Universe." "Throughout the whole of astronomy, geology, physics, and chemistry there is no question to-day of a 'moral order,' or a personal God, whose 'hand hath disposed all things in wisdom and understanding.' And the same must be said of the entire field of biology, the whole constitution and history of organic nature. . . ."[4]

Outspoken atheism never became a popular pastime in the Western world. T. H. Huxley's contemptuous term, *agnosticism* (contemptuous because he attributed a "gnostic" view to believers) had considerably more success. What happened, however, was not that unbelievers sported such labels ordinarily; rather, theism and Christianity were pushed aside and made inappropriate to intellectual activity. Eugen Weber, an historian of Europe, notes that "By 1939, when the *Times Literary Supplement* reviewed T. S. Eliot's *Idea of a Christian Society* . . ., it had to remark that intelligent men seldom admit even the possibility that Christianity 'is a system of truth from which flow inexhaustible principles in metaphysics, ethics and politics.' Hardly anyone would have doubted the thought half a century earlier. . . . But the half century had seen great change."[5]

Removing the Religious Foundations of Western Thought

By 1929, Sigmund Freud could describe religious belief as a kind of distemper of the masses. He said of such belief, "The whole thing is so patently infantile, so foreign to reality, that to anyone with a friendly attitude to humanity it is painful to think that the great majority of mortals will never be able to rise above this view of life. It is still more humiliating to discover how large a number of people living to-day, who cannot but see that this religion is untenable, nevertheless try to de-

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fend it piece by piece in a series of pitiful rearguard actions."[6]

The impact of this development is not to be understood at all in terms of militant atheism. That, after all, is relatively rare in the Western world. The significance lies in removing God from His place as premise of Western thought. Religious belief is tolerated generally in the non-communist parts of the world. Sometimes, it even has official encouragement, though that is rarer nowadays. But it must exist in attenuated form, as private belief which presumably has some impact on private morals. It has been largely removed as the general foundation of thought and belief.

Without God, no system of thought is or can be complete. It lacks a foundation. It lacks, at the least, a Prime Mover, something to set the whole into motion and give impetus to it. Without God, it is necessary to posit a universe which is a perpetual motion machine and, in addition to that, one that was either self-starting or was always running. Scientists usually deny the possibility of a perpetual motion machine on this planet; such a notion runs counter to all experience. But if a perpetual motion machine were possible, it would still have to have an initial impetus. Without God, much more would be lacking as well. There would be no final validation of either reason or fact, no support for a premised order which is essential to make reason of some account. Without God, value and purpose would be downgraded to such values and whatever purposes men might have.

Of course, men do not make do without a god, or gods, of some sort. Certainly, those who would be thinkers and have some following cannot. G. K. Chesterton put it well, "When people cease to believe in God, they don't believe in nothing, but—what's far worse—in anything."[7] In the private realm, those who do not believe in a transcendent God tend to turn to the occult for meaning and purpose. Weber says of the European situation in recent years: "Today there are a thousand professional astrologers in Paris alone, some 50,000 in all of France, counting seers, cards, coffee, and crystal ball gazers; there is a union of 120,000 occultists in Italy; 60 per cent of French people read astrology forecasts regularly . . . , and one English astrologer counts among her regular clients fifty British and forty-nine foreign firms."[8]

A Mechanical Universe

In the public realm, most of the place once occupied by religion has been taken over by ideology. The idea that has the world in its grip is a god-supplement, god-substitute, or god supplier. (It tends to produce a personal god, even, the leader.) This

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ideology locates meaning and value in the collective, the mass, or the demos, however, not in the individual. The individual ceases to have any discrete meaningful existence, aside from his own awareness of it. Waldo Frank traces this "depersonalization," back to Descartes and down through Hegel, Marx, Lenin, and Hitler to Mao Tse-tung.

Descartes provided the mathematical foundation for a mechanical view of the universe. By his approach to knowledge, Frank says that for Descartes "Man is left outside the cosmos, of which only as person is he integer and focus. Thus stripped, he coalesces into the mass-man of Hitler. . . ." Not, however, before much else has happened in thought. G. W. F. Hegel was yet another crucial figure in the development of ideas. "Hegel's Absolute works through history but ignores the individual, the potential person; acts indeed, in Hegel's words as if the individual did not exist. Without this Hegelian premise, it is also impossible to understand Marx. . . ."[9] "In neither Hegel nor Marx," he says elsewhere, "is there place for the person."[10]

Lenin reduced the individual to an integer of "the proletariat" or "the people," whose active arm was the Party, whose guide is the leader. "The leader is the symbol of the truth in the workers; he is stability, he is orthodox knowledge incarnate. He is not, in the Western sense, a person at all. He bears the same relation to the Party as the Party to the people." That is, he is an extract of "the people." This depersonalization has reached its peak, thus far, with the Chinese and Mao Tse-tung, Waldo Frank believes. When Mao speaks, "One feels the half billion Chinese become one figure, waking, rubbing his eyes, shrewdly appraising the situation, getting his legs under his body to hoist himself up on his feet." Perhaps this is overdrawn, but it does suggest the end toward which communism moves.[11]

Downgrading the Individual to Upgrade Collectivism

In the West, man is drawn into the maws of collectivism by the sense of his smallness, his unimportance, and futility as an individual. It has been by no means easy to exorcise from the West the belief in the value of individual man. (In the East, it was much easier, because Buddhism had always emphasized the suppression of the self.) Democratic socialism continues to proclaim this value in its rhetoric. But the foundation has been cut away, and the structure is crumbling. By organization and numbers the individual is being overawed and made to feel impotent unless he join himself to some group or collective.

Viewed naturally, man is indeed a puny creature. He is exceedingly

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fragile, weighing ordinarily no more than a hundred or so pounds even in maturity, and that but some flesh and muscles surrounding a bony structure. He is born of woman in labor, flourishes for a short time in maturity, if he is fortunate, and then is no more. Even the smallest accident can wipe him out, should some vital organ be severed from him or irreparably injured. He can bleed to death in minutes from a severed artery. He is vulnerable, usually rather easily intimidated, and tends to feel helpless when confronted by organizations and numbers. Viewing himself so, he seeks comfort and safety in the warm smell of the herd, as H. L. Mencken said. Alone, he is drawn almost irresistibly to some sort of collectivism.

Make no mistake about it, either, to the extent that force is the arbiter in this world the individual is largely helpless alone. An organization is incomparably more effective in exerting force than many individuals acting independently. The increasingly pervasive reliance upon force which is entailed in the idea of using government to concert all efforts means that force is the arbiter. It is not difficult for the individual to believe that this world is in the domain of force, and he is helpless.

Even so, the case for and position of individual man is not so hopeless as this may imply, even when the matter is viewed naturally. Groups, collectives, and organizations are not themselves independent beings. They are contingent things. They derive every ounce of their energy from individual men. They derive all their initiative, all their force, and all their direction from individual men. Their purposes, too, arise from men. Organizations cannot think, imagine, will, or act; only individuals can do these things. Groups, even organized groups, are not at bottom superior to individual men; they are creatures of men. And, in constructive action, they are inferior in potentiality to a like number of individuals outside them.

Numbers and Organizations Weaken Self-Reliance

Collectivism does not draw men into it because of its natural superiority, however. It does so because the devaluation of man has sapped the confidence of the individual in his powers. Man can think, but unless there is substantiation for reason, his conclusions carry no weight. They can only be given weight by numbers and organization. If right is only what the positive law of government proclaims then the ground beneath his claim to right is slippery indeed. Individual man cannot establish his own value. That must be transcendentally or collectively done.

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Strive as he will, natural man cannot devise an answer that will overcome the demanding spirit that now overwhelms him. The religions of statism and collectivism do not yield ground to no religion. The only effective answer to low religions is a high and noble religion. The only way to avoid the worship of numerous idols is to worship the one God. The only way to transcend the subjectivity of values and the relativity of all knowledge is to go to the source of value and knowledge. If this world is all there is, force does indeed rule, and some sort of collectivism is the appropriate answer.

There is Good News for any and all who will hear it. It is electrifying news. It is not news addressed to any group, team, class, race, or organization; it is news for individuals alone. It is news beside which *Das Kapital* is a mishmash of history laced with hatred. It is news beside which *Mein Kampf* is the distorted assertions of an egomaniac. It is of something which we would not dare hope for did we not know it already. It is news which confirms, vivifies, animates, and restores man. The primary source of this news is the *Bible.* It is vouched for by the death and resurrection of its bearer. Its truth is confirmed by the testimony of the saints down through the ages. If it come not from God, then whence came it? Surely, it is not of this world.

The Good News, first, is not that man is the origin of values but something much more: he *is* a value. He is valuable because God places a high value upon him. Contemplate the words of Jesus:

"Are not two sparrows sold for a farthing? and one of them shall not fall to the ground without your Father.

"But the very hairs of your head are numbered.

"Fear ye not therefore, ye are of more value than many sparrows."[12]

And again:

And, behold, there was a man which had his hand withered. And they asked him saying, Is it lawful to heal on the sabbath days? . . .

And he said unto them, "What man shall there be among you, that shall have one sheep, and if it fall into a pit on the sabbath day, will he not lay hold on it, and lift it out?

"How much then is a man better than a sheep? Wherefore it is lawful to do well on the sabbath days." *Matthew 12:10-12.*

Promise of Immortality

There is more, however; these verses tell us that man is valuable, but they do not suggest the extent. The greatness of his value is indicated in the following verse. Jesus said,

"For God so loved the world that he gave his only begotten Son, that whosoever believeth in him should not perish, but have everlasting life."

John 3:16.

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This tells us much more besides. It tells us that man is immortal, that he is a creature chosen for eternity. The "whosoever" in the sentence tells us that only individual human beings may have that promise of immortality. The magnitude of man compared to organizations begins to appear. All organizations are but temporary things, destined it may be to flourish for a time and then be no more. The record of history is replete with instances of kingdoms, nations, empires, cities, and all sorts of organizations which once were and are no more. They lasted only so long as they were sustained by individuals; then they disappeared, things dependent finally upon the memory of men. Man, by contrast, has a future of which this life is only the beginning.

There is a way to test the quality of a religion. It is in that to which it appeals. Does it appeal to the baser motives? Or does it appeal to the highest and best? Socialism is a mean, low, and vulgar religion, and it is as a religion that it finally stands or falls. It appeals to greed, to avarice, to popularity with the crowd, to the desire to get something for nothing, to envy, to jealousy, to class hatred, to the lust for power, to the lowest common denominator, to the will to be free of responsibility, to the urge to destroy, and to the longing to crush that with which one disagrees. The mainspring of socialism is the fear of individual man, and a loathing for him as he is. Socialism incarnates force, and worships the state as the embodiment of it.

By contrast, Christianity appeals to the highest and noblest in man. The God revealed by Jesus Christ does not use force and power upon men in this world. God is love, we are told; He woos man by sacrifice, by coming in lowly guise, having naught of the things of this world by which to awe man. He comes not as an earthly conqueror with force, terror, and violence to destroy men but in boundless love to redeem them. The virtues He commends are higher than any man can conceive. But let them speak for themselves. First, from the Sermon on the Mount:

"Blessed are the poor in spirit: for theirs is the kingdom of heaven.

"Blessed are they that mourn: for they shall be comforted.

"Blessed are the meek: for they shall inherit the earth.

"Blessed are they which do hunger and thirst after righteousness: for they shall be filled.

"Blessed are the merciful: for they shall obtain mercy.

"Blessed are the pure in heart: for they shall see God.

"Blessed are the peacemakers: for they shall be called the children of God.

"Blessed are they which are persecuted for righteousness' sake: for theirs is the kingdom of heaven." *Matthew 5:3-10.*

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What should stand out in all of this is that there is nothing commended to which any should take offense.

There is a marvelous congruity permeating the New Testament in the virtues commended. Here is an example from the writings of Paul the Apostle:

> Let love be without dissimulation. Abhor that which is evil; cleave to that which is good.
>
> Be kindly affectioned one to another with brotherly love; in honour preferring one another.
>
> Not slothful in business; fervent in spirit; serving the Lord;
>
> Rejoicing in hope; patient in tribulation; continuing instant in prayer;
>
> Distributing to the necessity of the saints; given to hospitality.
>
> Bless them which persecute you; bless, and curse not.
>
> Be of the same mind one toward another. Mind not high things, but condescend to men of low estate. Be not wise in your own conceits.
>
> Recompense to no man evil for evil. Provide things honest in the sight of all men.
>
> If it be possible, as much as lieth in you, live peaceably with all men.
>
> Dearly beloved, avenge not yourselves, but rather give place unto wrath: for it is written, Vengeance is mine; I will repay, saith the Lord.
>
> Therefore, if thine enemy hunger, feed him; if he thirst, give him drink: for in so doing thou shalt heap coals of fire on his head.
>
> Be not overcome of evil, but overcome evil with good. *Romans 12:9-21.*

The Apostle Peter summarized the great virtues this way:

> and beside this, giving all diligence, add to your faith virtue; and to virtue knowledge;
>
> and to knowledge temperance; and to temperance patience; and to patience godliness;
>
> and to godliness brotherly kindness; and to brotherly kindness charity.
>
> *II Peter 1:5-7.*

And from Paul again:

> Finally, brethren, whatsoever things are true, whatsoever things are just, whatsoever things are pure, whatsoever things are lovely, whatsoever things are of good report; if there be any virtue, and if there be any praise, think on these things. *Philippians 4:8.*

Jesus Christ was God Incarnate; He was the Word made flesh. He came to reveal God's ways to men. The beauty of what He taught and was has brought forth singular words of praise. He has been described as the Lily of the Valley, the Rose of Sharon, the Pearl beyond Price, and in Isaiah, as prophecy: "For unto us a child is born, unto us a son is given: and the government shall be upon his shoulder: and his name shall be called Wonderful, Counsellor, the mighty God, the everlasting Father, the Prince of Peace." (Isaiah 9:6)

This aspect of him has tended to shield us from understanding an equally important truth: Jesus Christ was man incarnate. He re-

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vealed to men their full potentialities and possibilities; he lived and taught—was the embodiment of—not a religion, as we understand such things, but a way of life. He showed that the individual person is of great and momentous account. He restored man the individual to his central place in all of creation. The way of the world is wrong, he said; it is the way of death. The way of the world is to use force, coercion, to attempt to control men to the purposes of others, to use them. There is another way: the way of love, of service, of persuasion, of influence, of kindliness, of giving, and of becoming. It is the way of life.

Ancient Pagans believed that man was a plaything of the gods. Modern Pagans believe that he is an instrument of the organization to be intimidated by numbers. "Enlightened" Greeks and Romans believed that man is either a comic or tragic figure. Contemporary intellectuals incline to view man as a sensual being, caught in the grip of passions and desires which rend him.

Man without God is indeed capable of every debasement that can be imaged. He is comic or tragic as you will, a creature of the senses, a plaything, an instrument, an object, a belly, a power monger, or whatever. If proof were needed, this century offers enough for all time. Without God, values are subjective; no judgment can be made. Man is a buffoon; and television offers continuous programs which prove it. Without God, reason is a blunt instrument, for there is no truth. Without God, there are no rights; there are only such perquisites as those who occupy the leverage points over the exercise of power permit. Without God, life is a situation comedy, and the idols provide the canned laughter at man's antics. Without God, life is a tragedy for those who aspire to something better. Without God, individual man is but a dot in the scheme of things, and those who control the organizations work out the puzzle by drawing lines from "dot to dot."

Man's Support from God

With God, the perspective changes dramatically. Individual man acquires leverage with which to deal with the world. The basis of that leverage is reason and right. Individual man can think; no group or organization can do that. If there is a God, there is truth, for He knows it. If a tree falls, and no man hear it, it still makes a sound, for God hears it. Man's special means for discerning truth is reason. Reason provides truth before which organizations, numbers, and machines must bow, else they proclaim their own futility.

The other lever is right. The individual in the right, and secure in the knowledge of right, is formida-

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ble. The most fundamental right of the individual is his right to his property. That right is affirmed over and over in Scripture. "Thou shalt not steal" is an ancient commandment, as is "Thou shalt not covet." The Apostle Paul put the most basic principle this way:

> Let him that stole steal no more: but rather let him labour, working with his hands the thing which is good. . . .
>
> *Ephesians 4:28.*

Since all other rights stem from or depend upon the right to property, all just rights of the individual have transcendent support.

Jesus demonstrated what an individual man can be and do; in this, he was man incarnate. The bare details of his life show that this was what he demonstrated. Of the things of the world, he had none of any consequence. He was born in a stable, in a trough from which the animals ate. His parents were people of low estate. He must have had very little of formal education or training. Legend has it that when he reached an age to work and provide for himself, he learned and practiced the trade of carpentry. No organization ever set its seal of approval upon him. He lamented the fact that he was without honor even in his own community. He had for support only twelve men; they were such as he gathered about him in his wanderings, and of uncertain loyalty. He became what we would call an itinerant preacher, traveling here and there, speaking to such as would hear him.

True, there were some who heard him gladly. There were even those who said that he spoke with such authority as no man ever had before. But the rich young man turned away from him sorrowfully, and people of prestige, if they came at all, came in secret, as Nicodemus did. In all those things which a man is supposed to have in order to make an impact, he had none. Organizations and men of authority suspected him of sedition. The Sanhedrin condemned him and turned him over to the civil authorities of Rome to be tried. He was condemned by a throng of accusers and, though Pontius Pilate, the judge for Rome, found no fault in him, he was condemned to be crucified to please the crowd. At the last, the authorities offered to release him, or such as the crowd might choose. They chose a notorious thief instead.

The Confrontation between Might and Right

Why were the Jewish rulers so fearful of this man? Why did the pillars of Rome tremble in his presence? Why was the crowd so determined to see him put to death? We are not told. Yet we know. He had flung no challenges, broken no laws, formed no revolutionary party. He was innocence personified. But he

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had taught a way of life which undermined the way of the world, a way so superior to the way of the world that no comparison is possible. Organizations had to show their powers; numbers (the throngs) had to intimidate else they must yield; force must be triumphant. If might did not silence him, it would give tacit approval to right, the very means by which it is constrained and limited.

But force was not triumphant. He rose again from the dead; many witnesses testified to the fact. Nor did putting him to death put an end to his teachings. God used even this great wrong to bring about good, as He had purposed. Jesus had said, "And I, if I be lifted up from the earth [crucified], will draw all men unto me." And so it has been. The Good News has been told from one end of the earth to the other. Where once there were only twelve disciples, and they not firmly planted, there have since been millions moved to follow him. True, many wrongs have been done in the name of Christ, but every one of them was without warrant. Unable to stifle the message, the world has often enough done the next best thing: adopted it and adapted it to its own purposes, even to the use of force for supposedly good and constructive purposes. These actions have done much damage to the name of Christian, but to those who will hear the message, it still shines through undimmed. To those who would take it to their hearts and study it with understanding there has been given the gift of a new birth of the spirit. Everywhere that the message of love, sacrifice, and concern has gone in the world it has gentled hearts, produced works of charity, freed slaves, buttressed responsibility, and begun its work of liberation. All this has come about, "Not by might, nor by power, but by my spirit, saith the Lord of Hosts." It is a testament to the influence of example and to the potentiality of man—with God.

Individual man without God is very little. Man with God is in another dimension; he is man as he may be. Lest it be thought that what Jesus did does not tell us anything of the possibilities of men generally, Jesus made it clear that it does:

> "Verily, verily, I say unto you, He that believeth on me, the works that I do shall he do also; and greater works than these shall he do; because I go unto my Father."
> *John 14:12.*

Man the individual begins to come into focus with all his potentialities. "Ye are the salt of the earth," Jesus said. "Ye are the light of the world." (Matthew 5:13, 14)

Moreover,

> "Ask, and it shall be given you; seek, and ye shall find; knock, and it shall be opened to you.

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"For everyone that asketh receiveth; and he that seeketh findeth; and to him that knocketh it shall be opened."

Matthew 7:7-8.

What emerges from this is a vision of a man who can stand against the might of this world. How can this be? Paul says that to do so one should "Put on the whole armour of God."

For we wrestle not against flesh and blood; but against principalities, against powers, against the rulers of the darkness of this world, against spiritual wickedness in high places.

Wherefore take unto you the whole armour of God, that ye may be able to withstand in the evil day, and having done all, to stand.

Stand, therefore, having your loins girt about with truth, and having on the breastplate of righteousness;

And your feet shod with the preparation of the gospel of peace;

Above all, taking the shield of faith . . .;

And take the helmet of salvation and the sword of the Spirit, which is the word of God. . . . *Ephesians 6:11-17.*

Men who are thus prepared can stand. They have stood in the past, and they may stand again in the future.

Man is a whole potentially much greater than the sum of his parts. Far from being a mere zero, a cog, an object or thing of use, individual man is valuable beyond compare. He is a living, breathing being with a soul, mind, and body. He is touched by the Divine. Each child that is born is a miracle, and every full grown person potent with possibilities beyond our dreams. He is a creature worthy to put in their places principalities, powers, rulers of darkness, and the wicked in high places. They are, after all, but gossamer, deriving all their strength from his flesh and blood. God has placed a value on man; he has put him in an high place. None may reduce that value with impunity.

Restored man, confident of his place, can loosen the grip of the idea.

Next: *33. Conclusion: Loosening the Grip of the Idea.*

—FOOTNOTES—

[1]Frank P. Chambers, *This Age of Conflict* (New York: Harcourt, Brace & World, 1962, 3rd ed.), p. 575.

[2]Eugen Weber, ed., *The Western Tradition* (Boston: D. C. Heath, 1959), p. 673.

[3]Franklin L. Baumer, ed., *Main Currents of Western Thought* (New York: Alfred A. Knopf, 1967, 2nd ed.), pp. 570-71.

[4]*Ibid.*, pp. 578-79.

[5]Eugen Weber, *A Modern History of Europe* (New York: W. W. Norton, 1971), p. 1016.

[6]Sigmund Freud, *Civilization and Its Discontents*, trans. James Strachey (New York: W. W. Norton, 1962), p. 21.

[7]Quoted in Weber, *op. cit.*, p. 1019.

[8]*Ibid.*

[9]Waldo Frank, *The Rediscovery of Man* (New York: George Braziller, 1958), p. 215.

[10]*Ibid.*, p. 164.

[11]*Ibid.*, p. 165.

[12]Matthew 10:29-31. (All quotations below are from the King James Version of the *Bible*.)

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Ronald F. Cooney

NOCK: An Appreciation

The wise social philosophers were those who merely hung up their ideas and left them hanging, for men to look at or to pass by, as they chose. Jesus and Socrates did not even trouble to write theirs out, and Marcus Aurelius wrote his only in crabbed memoranda for his own use, never thinking anyone else would see them.

* * *

The above quotation is from *A Journal of These Days* by Albert Jay Nock. It is revealing because it describes precisely the way Nock's own thoughts were presented to the world, a world—to judge by Nock's writings—in which he was not often comfortably at home. Yet there was so little intellectual vanity in him that he could not, one feels, have been terribly desolated by the knowledge that his ideas were neither widely endorsed nor adopted. The fact that those ideas were not (and are not) instantly popular *may* indeed be proof of their basic soundness. But for Nock, it was enough to be able to offer his opinions, not caring a fig if people liked them or agreed with him. It was the search for truth which led him to the ideas, and not the fruits of acceptance or approval, that mattered to him.

Nock was far from the dogmatist who, besides believing passionately in something, is only really content when he can hammer his convictions into as many ears as he can find and drag his hearers—willing or not—around to his point of view. He was a man of strong beliefs, but he lacked the missionary zeal to

Mr. Cooney is a free-lance writer in Berkeley, California.

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force them on others. He, as he says, "left them hanging." The point remains that Nock, like his spiritual mentor Montaigne, was animated by and built his thought upon a flinty skepticism. Like Socrates and Jesus, he was a gadfly, a man who stood apart from the prevailing wisdom of the time and tendered his doubts, whatever the consequences.

As a social critic, Nock wrote upon a variety of subjects. I mean to concentrate mainly on his political writing for it seems to contain the true essence of his thought. The worth of any philosopher can be judged by the extent to which the issues he raises still live in the contemporary age. In the area of the relationship between the state and society, Nock made a lasting and unique contribution—one which is as relevant today as when he lived. Such, however, is the unity of Nock's work that one may, by examining a part, come to comprehend the whole.

State vs. Society

For Nock, the conflict between state and society arises from their different and incompatible sources. An individualist to the core, he was never able, he admits, to conceive of society as more than "a concourse of various individuals." Society is best served when its members are left to their own devices, when each individual pursues his own interests according to his lights.

The state, on the other hand, has interests of its own, which Nock insists are not synonymous with those of society:

> The interests of society and of the State do not coincide; any pretense that they can be made to coincide is sheer nonsense. Society gets on best when people are most happy and contented, which they are when freest to do as they please and what they please; hence society's interest is in having as little government as possible, and in keeping it as decentralized as possible. The State, on the other hand, is administered by jobholders; hence its interest is in having as much government as possible.

Nock does not hold with the view that the state *represents* society, and that it came into being for the purpose of accomplishing those things which people cannot do for themselves. He draws a distinction between the state and *government*. The former is distinguished by the fact that it is not limited (as is mere government) to negative interventions into the lives of society's members (e.g., providing a free and accessible system of justice), but intervenes daily in a positive, which is to say *active*, way (e.g., enacting ironically misnamed "social" legislation).

Nock makes the point again and again that increases in state power beyond the boundaries of negative intervention are made always at the expense of social power—the purely voluntary reflexes of free people.

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Editor's Note: Anyone further interested in the ideas and writings of Albert Jay Nock may wish to contact:

THE NOCKIAN SOCIETY
30 South Broadway
Irvington, New York 10533

This is a "no officers, no dues, no meetings" society occasionally contacted by The Reverend Mr. Edmund A. Opitz of the staff of The Foundation for Economic Education.

Available from The Nockian Society at $1.00 is a 91-page collection of *Cogitations from Albert Jay Nock* selected and arranged by Robert M. Thornton.

Each incursion by the state into the realm of social power leads to a corresponding diminution of social power and a resulting decline in individual liberty. What happens, in effect, is that society either willingly abrogates its responsibilities or has them usurped by the state.

Collectivists and those similarly inclined like to speak with grand vagueness about the "larger good" and about putting the interest of society before personal—and they always assume, base—interests. The implication, of course, is that society's needs are not only different from but greater and more noble than those of a single person. Nock would scoff at any such notion. What, he would ask, is a society but the individuals who make it up? In his mind, the distinction has no meaning. A society is not something beyond individuals but *is* individuals.

Up to this point Nock's ideas are close to or even derived from those of Herbert Spencer. But Nock was, if that is possible, more critical of the state—both of its nature and of its effects—than Spencer. The English philosopher, great libertarian that he was, wrote little about the economic exploitation that is found

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under a statist regime. The subject was of fundamental importance to Nock, and in fact he traces the ancestry of the state to that very exploitation:

> The positive testimony of history is that the State invariably had its origin in conquest and confiscation. No primitive State known to history originated in any other manner. On the negative side, it has been proved peradventure that no primitive State could possibly have had any other origin. Moreover, the sole invariable characteristic of the State is the economic exploitation of one class by another.

The modern state, argues Nock, pursues identical ends of confiscation through different and more sophisticated means. This exploitation may be disguised and carried out for "good" purposes but is not beneficial to society. It is part of the instinct of self-perpetuation within the nature of the state. Economic freedom is a Nockian first principle.

Nock understands that modern man is an economic creature and that power—social or state—resides to a large degree in economic factors. He sees quite clearly that an individual's social liberty is bound indivisibly to his economic liberty. And as men and women should be able to associate, to speak, and to exchange ideas freely, so they should enjoy a like freedom in their economic associations. The advent of economic freedom would, Nock feels, deal a grievous wound to state power, and the political freedom which followed as a natural consequence would supply the *coup de grace*. It is impossible to envision the state allowing either, for that would mean that it would be signing its own death warrant.

Two Kinds of Power

Nock's views on economic tyranny form a powerful rebuttal to the charge that capitalism—the freest of all economic systems—is intrinsically exploitative. They are also of a piece with his insightful criticism that the state, whatever its pretenses to the contrary, lacks the necessary quality of *disinterestedness*. He recognizes that the people who are employed in administering the state's every whim, the jobholders and bureaucrats, have no reason to cut down the state's sphere of influence but an active interest in seeing that it is expanded. Living as he did at the high tide of the New Deal, Nock was ideally situated to observe how those elected to power utilized for political gain the various apparatus they controlled.

He was less than sanguine about the social order being ushered in by the Roosevelt administration. He believed that the state could have an influence on society but he was convinced that that influence was inevitably malign. He saw the effects

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on society—once again—as effects on individuals. As state power increases, moral judgment and individual responsibility decline, self-reliance weakens, and independent thought, never very hearty, dies of a wasting disease.

Reading Nock on these matters can be a bracing and tonic experience, but it can prove depressing, especially when one sees how closely events have paralleled Nock's warnings. One wants to ask: was Nock a complete pessimist, a man who saw the people of the world sliding into some modern statist barbarism? Certainly he was too clear-sighted to exude, in defiance of all the evidence around him, a hollow optimism about the future. But neither was he a resigned monger of gloom, blindly raging against the march of history.

Ambrose Bierce, himself the archetypal bitter cynic—once defined a conservative as a man enamored of present evils in contrast to a liberal who wants to replace them with others. Nock, true to his nature, cannot be safely lodged in either half of Bierce's definition. He did not pine for some mythical golden age, but he found in the present very little that was to his liking.

One might assume then that Nock was in accord with the various reform movements that took place during his lifetime. Nock was not the sort of man to remain uncritical or to wrap complacency around him like a shroud. He regarded reform movements as ill-starred and ineffectual. He had observed many such movements and the vast majority had failed "due to their incorrigible superficiality." Reforms, to his mind, do not attack the problems of society at their source. Reform movements symbolize action without thought. They are conceived in impatience and reared in haste. They are based on an insufficient understanding of institutions and human beings. They represent a cosmetic solution of any problem, and ignore completely the factor—human nature—that is the source of most of them.

True Reform Begins with Self-Improvement

Nock knew that the great appeal of reforming movements is their promise of an instantaneous and observable improvement in conditions. People are drawn to them because they hold out the hope, however slight, of the quick and easy alleviation of social problems by modifying what Nock called the "mechanics" of society. But he knew also that the only reform worth the effort, and the only one with any chance of final and lasting success, was the difficult and painful task of each person to first reform himself:

> The only thing that the psychically-human being can do to improve society is to present society with *one improved*

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unit. In a word ages of experience testify that the only way society can be improved is by the individualist method which Jesus apparently regarded as the only one whereby the kingdom of Heaven can be established as a going concern; that is, the method of each *one* doing his very best to improve one.

That statement sums up rather neatly the Nockian philosophy as a whole. I suppose that, in strictly academic terms, Nock would not be considered a philosopher at all. He didn't construct any complicated system which proposed to answer all the universal questions. He would, no doubt, be thought of as too commonsensical. The strange thing about common sense, however, is its ever-increasing rarity. It is a compliment to Nock to say that he possessed common sense to a quite uncommon degree. His sharp and diamond-like prose refracted his thought to a high brilliance. In his works, one finds a great amount of heat, but no less amount of light.

One finds also a complete absence of what Mencken called the "messianic delusion." Nock wrote only with the aim of saying what he thought, and not swaying great masses of people or bludgeoning them into believing as he did. There was a serene integrity in Nock's character which shows through every word he wrote. Nock wrote of "the remnant," a group of people bound together by nothing more than their desire to achieve self-reformation, and practice of independent and disinterested thought. Nock would not have sought to be the remnant's "leader" but the title belongs to him nonetheless. For his life and work embodied the admonition that must stand as the remnant's motto: "Know thyself." ⊕

IDEAS ON LIBERTY

How Ideas Grow

WE can all no doubt remember having found ourselves suddenly under the influence of an idea, the source of which we cannot possibly identify. "It came to us afterward," as we say; that is, we are aware of it only after it has shot up full-grown in our minds, leaving us quite ignorant of how and when and by what agency it was planted there and left to germinate. . . .

For some time it is inert; then it begins to fret and fester until presently it invades the man's conscious mind and, as one might say, corrupts it. Meanwhile, he has quite forgotten how he came by the idea in the first instance, and even perhaps thinks he has invented it; and in those circumstances, the most interesting thing of all is that you never know what the pressure of that idea will make him do.

ALBERT JAY NOCK, "Isaiah's Job"

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Paul L. Poirot

The Writings of F. A. Harper—A Review

WHAT was written as "Introduction" to *The Writings of F. A. Harper* may also serve as a review of this two-volume memorial edition just published by The Institute for Humane Studies, Inc., 1177 University Drive, Menlo Park, California 94025.

Dr. F. A. (Baldy) Harper left a position as Professor of Marketing at Cornell University to join the staff of The Foundation for Economic Education from 1946 through 1958. He helped to found and served as Executive Director and then as President of The Institute for Humane Studies until his death in 1973.

I would not push the illiberal notion than any individual is like any other. It is because of our differences that liberty is so vital. But Baldy did adhere to the guiding rule of Socrates, "Know thyself." He believed with Socrates that goodness is based on knowledge, wickedness on ignorance. Like Socrates, he sought truth all his life, in ways that attracted young scholars. By the Socratic method of a series of carefully directed questions, he would encourage the other person to find out the truth for himself.

In these collected writings of F. A. Harper, concerned with liberty in the broadest sense, are to be found some of his conclusions. But the reader will also find throughout his works a series of carefully directed questions. For as Judge Learned Hand observed, "The spirit of liberty is the spirit which is not too sure that it is right." I believe that is the spirit in which Baldy would have us pursue his search—a never-ending search for the truth about liberty.

How does that search begin? Perhaps best with his premise as to the nature and destiny of man:

> In the design of the universe, everything is subject to certain natural laws. . . . A person's capacity to perceive the nature of these natural laws, which rule

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his being, is limited by his intelligence or powers of instinctive conduct; his beliefs, in this respect, are both his privilege and his responsibility; he is free to choose his sources of information as guides in his search for truth, and he is personally responsible for the wisdom of that choice and for the resulting conclusions; he will know that no person, not even himself, has any direct and certain line of communication with the sources of truth; all conclusions carry a corresponding uncertainty no matter who holds them; he knows that while he cannot avoid acting on the basis of some belief, these beliefs must ever be held subject to change as further evidence or new reasoning becomes available; but always he is obligated, by honesty, to believe and act in accordance with truth as he then sees it.

That premise as to the truth about liberty is broad enough to encompass a lifetime search in any direction. And this list of some of his titles illustrates Baldy's wide range into the moral, social, political and other aspects of the subject:

"Society under God"
"Morals and Liberty"
"In Search of Peace"
"The Disharmony of World Unity"
"Fruits of Intolerance"
"Blessings of Discrimination"

However, his specialty was the search for and promotion of a greater understanding of free market economics and its importance to the individual who would be free. "Economic liberty pervades the entire problem of liberty and is an absolute requisite to liberty in general."

Textbooks may help us, but few of us come by our discoveries of truths in anything like a logical textbook arrangement. At some moment, a better idea displaces an assumption or a myth that had formerly occupied one's mind. And many of the shorter articles assembled here are shots fired at popular myths. But they are shots from the orderly and well-disciplined mind of a scholar and teacher. Let me share, then, the steps that I believe Baldy may have taken—the points he seemed to stress as most important—in his study and exposition of free market economics.

Undoubtedly of first importance is the concept of private property—"the economic extension of the person." The point is stressed throughout his writings, but comes most clearly, as it should, in his latest discussion, "Property and Its Primary Form":

As I now see the matter of property and ownership, the first person singular is the *primary* form from which all other forms of property arise. It is the prior and superior form. . . . This view of self-ownership as primary property, from which all other property arises as derivatives . . . rests on the subjective evaluation of worth, with all market prices determined in the market as with other things of worth.

So, in economics, one starts with

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the freedom and dignity of the individual human being and his natural right to his own decisions and their consequences. Because he is his own man, the fruits of his peaceful actions are his property—and his responsibility. With that as their premise, competing individuals can peacefully determine "what is mine and what is thine."

Once the concept or institution of private property is accepted, human beings in their infinite variability, and with their respective degrees of skill and talent, are in position for the next step of specialization in various productive efforts. Until a man can own what he produces, he is unlikely to produce much beyond his immediate needs. But if the product is his property, then he will strive to produce enough to meet future needs and begin to think how he might trade some of those savings for other goods or services.

So begins another step in free market economics, the process of competition and cooperation through voluntary exchange of private property. Exchange, yes, but at what rate of exchange, how much of mine for thine, at whose price? At the market price, suggests Baldy, if the objectives of the participants are to maintain peaceful relations and to maximize productivity in the light of the always scarce and limited resources available.

What a man brings with him to market as his own property affects what he will be able to bid for the property of others. Some have their skills or their productive labor to sell, some have tools or land or buildings or other savings to offer, some have new and better ideas for combining labor and tools and other scarce resources more efficiently to serve consumers.

Where more than two or three are gathered together in a market place, each interested in selling one or many items and in buying one or many items, some one or more of those items of commerce will be put to use as money to get away from the limitations of barter—to facilitate exchange. How much money, of what size or shape or other condition? Leave such matters to the market—to the willing buyers and sellers in the market.

Once traders have found a satisfactory medium of exchange, then market exchange rates will be expressed in money prices, and these market prices afford businessmen a means of economic calculation or business accounting—a way of knowing their profit or loss.

Out of this seeming bedlam of bids and offers, from individuals with various and ever-changing supplies of goods and services and demands for other things, emerges a series of market prices. Workers competing for jobs and employers competing for laborers set the pattern of wages for

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different kinds of work. Savers and borrowers compete and cooperate to find the rate of interest that will best serve their more urgent requirements. Market prices help individuals decide how much of what to consume and how much to save and invest in tools and raw materials and other factors of further production. Profits and losses ultimately disclose which competitors have succeeded or failed and guide them and others into the most fruitful and efficient lines of productivity.

Finally, but by no means the least of the services the market affords, is education. It affords a measure of the worth of experience, of schooling, of learning. It tells the cost of buildings, of books, of hired teachers, of various educational facilities. It lets the individual (the parent of the child) choose what he can afford to spend for greater wisdom in relation to his other needs.

Were Baldy to survey this humble attempt to outline his views of the free market economy, he might conclude that the attempt has raised more questions than it answers. And I could only answer that I learned some of that procedure from him. But, hopefully, the attempt may help alert the present and future students of F. A. Harper to some of the main points of his free market philosophy.

Unfortunately, ours is not an ideal free market economy. Not all men are always peaceful, tolerant and wise, however good their intentions. Some will resort to coercion to gain advantage and to rule over others. They will turn to government to tax some and subsidize others, to regulate and control people "for their own good," to dispense "charity," to prevent failure, to penalize success, to invent a magic money machine, to apply rent and wage and price supports or ceilings and thus refute the vital signals of market pricing, to manage the rearing and the education of the young, to interfere with the free trade of free men in countless other ways.

Much of Baldy's life was devoted to exposure of these frustrations of the free market economy and these limitations on freedom. And that is a never-ending task. Fortunately for us, we have his record and example of the ideal of a free man toward which to strive. ⊕

Volume I (453 pages) and Volume II (611 pages) of *The Writings of F. A. Harper* list at $10.00 each volume, but also are available as a set at $16.00 from:

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FOR THE RECORD

WHEN in 1940, Felix Morley decided to leave a prestigious and influential position as editor of Eugene Meyer's *Washington Post* to become president of Quaker-supported Haverford College, he did it in all humility. Rufus Jones, who had taught him philosophy at Haverford in the early part of the century, said he should take the job "not because thee is a good Quaker but because further exposure to Quakerism will do thee good." Felix Morley accepted the kindly admonition in good grace. "I was," he said, "indeed already keenly aware that my life was deficient in spiritual values and that I had need of them."

Felix Morley's recollection of his conversation with his old professor comes on page 347 of his fascinating memoirs, *For the Record* (Regnery-Gateway, Inc., South Bend, Indiana, 472 pages, $15.00), and it strikes one with considerable surprise. The truth is that Morley seldom did anything in his life for a purely materialistic advantage. He was born practically on the Haverford campus, where his father, a gifted mathematician from East Anglia in England, had settled with a supreme indifference to anything but his scientific specialty.

There were three Morley sons—the eldest was Christopher, the poet. Felix, the middle one, became a journalist and educator, and Frank, the youngest, had a triple career as mathematician, historian and publisher. Not a single member of the family ever seemed to care particularly for what ordinarily passed for success in materialist circles, yet, in following their various bents, all of the Morleys did well enough in a worldly way. The point is that they cared more for the doing than for the rewards thereof. That, in itself, is a kind of spirituality, whether Quaker

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or not. The whole of *For the Record* is about such spirituality.

Seeing and Knowing

The young Felix made some tentative gestures toward becoming an imaginative writer in the mode of his brother Christopher, but it soon became apparent to him that his main interest was in seeing and knowing as a prelude to philosophical understanding. For a moment he thought he might become a marine architect (he loved the graceful lines of ships), but, as he confesses, he never did understand the calculus he studied in deference to his father. By necessity he gave up engineering aspirations. Like John Dos Passos, he had a fling with an ambulance corps in the early years of World War I. Europe was as much home to him as America—his family, always more English than American, had taken Kit and Felix abroad for a particularly long sabbatical in England and at Gottingen in Germany, where Felix developed his natural ear for his first foreign language.

Coming home to America after his experience with the Quaker ambulance service, Felix tried to become an officer once Woodrow Wilson had elected to take us into a war that the Quakers deplored. He didn't make it as "officer material" because his "attitude," which included a sarcastic view of bayonet drill as sticking effigies that would be using revolvers if alive, was deemed deficient. Again, one is struck by the parallel to John Dos Passos' experience—"Dos" got into trouble as a prospective soldier because he couldn't hate his enemy as an all-inclusive abstraction.

A Rhodes Scholar

Felix Morley did his cub newspaper work in Philadelphia and in Washington, but he yearned for wider horizons. Like both of his brothers, he managed to get a Rhodes scholarship to Oxford. Because of wartime mixups, the Rhodes authorities waived the provision that only bachelors were eligible to accept appointments, and so Felix and his wife Isabel were off for a long sojourn in Europe that included much incidental journalism in Ireland, Germany, France and Britain as well as a period of study at the London School of Economics. During this period Felix made himself an authority on the British labor movement.

Curiously, it was through English editors that he was recommended as an editorial writer to John Haslup Adams at the *Baltimore Sun*. Since Isabel was pregnant, and Baltimore was home to all the Morleys after their mathematician father had transferred from Haverford to Johns Hopkins, Felix jumped at the opportunity that was offered to him to become assistant to a great editor.

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But, as always, the Morley interest was philosophical—he wanted to write about foreign affairs with a hope that he might be contributing to the understanding of the prerequisites to peace, which was certainly a Quaker objective.

International Assignments

In the back of his mind, Felix Morley hoped he might become the *Baltimore Sun* correspondent in London. But his new employers had other ideas. They sent him off to the Far East to learn something about Japan, China and the Philippines in the yeasty period in which Chiang Kai-shek was endeavoring to push the Communists north of the Yangste and consolidate his position as the successor to Sun Yat-sen. Morley took all this as experience. The Asian interlude made him avid for an international listening post, so, after publication of his book, *Our Far Eastern Assignment,* he was off to Geneva, where he proposed to combine newspaper correspondence with writing a study of the League of Nations. The Brookings Institution eventually brought the study out as *The Society of Nations.*

Morley liked Herbert Hoover, who had a Quaker viewpoint. Eugene Meyer, who had bought the then moribund *Washington Post* in the early Thirties, had worked for Hoover. So it was perhaps by a natural affinity that Felix Morley became Meyer's editor for the period of the New Deal. As always, Morley tried to be the practical philosopher of peace. No isolationist, he wanted to use power to the ends of justice, employing League of Nations machinery to take the sting out of the inept and inequitable Versailles Treaty. Of course, it didn't work: the punitive victors of Versailles had done their work too well. They had brought Hitler upon themselves, and neither Hitler nor the Nazis were amenable to belated blandishments.

World War II, and After

The war came, and Felix Morley had no desire to write editorials that could not be sharply critical of national policy if the occasion for such criticism arose. So it was off to Haverford, to keep liberal education alive in a period of war stringencies that threatened to turn all our campuses into vocational arms of the Pentagon. It was at Haverford, in his seminar on "The Development of Political Ideas," that Morley gave pointed shape to the convictions of a lifetime. He was obsessed with the dilemma of the modern republics: how to maintain individual freedom when the necessity to arm against barbarians in the technological age demanded a centralization of power that cut across a traditional separation of the powers.

Nevertheless, despite the di-

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lemma, the duty to fight for both freedom and federalism remained. Morley's post-Haverford books, *Freedom and Federalism* and *The Power in the People,* are yeoman attempts to fight the drift to a centralization of power that Morley fears "will eventually destroy our federal republic, if it has not already done so." Most important of all, Felix Morley was a co-founder, with Frank Hanighen, of *Human Events,* the Washington weekly that tries to balance the claims of a libertarian conservatism with the need for eternal wariness against the totalitarians. Morley differed with Hanighen on emphases, and withdrew from the enterprise, but *Human Events* is perhaps his most enduring monument.

WHAT MAKES YOU THINK WE READ THE BILLS?
by Senator H. L. Richardson
(Caroline House Books, P.O. Box 978 Edison, N.J. 08817)
136 pages ■ $7.95 cloth; $2.95 paper

Reviewed by Tom Starkweather

A politico who writes with candor, humor and simplicity? The American public can't accept such a creature—blame it on conditioning, cynicism, sophistication, idealism, pampering, realism or whatever. This national frame of mind will make it difficult to seriously consider *What Makes You Think We Read the Bills?*

The author of this little gem is a California legislator who has served in the State Senate for 12 years. He is obviously a keen observer and analyst of the political scene. His book is funny. Indeed, it is hilarious. It is educational. Mr. Richardson describes what really happens when our elected representatives get together to spend our money and write our laws.

This book is frightening, for the character traits, the situations, the pressures, the psychology and the neuroses described therein are not peculiar to the Golden State. They are universal in our political environment. The book is also entertaining and that's appropriate since the media have made politics a branch of show business in recent years.

Those who would complain about government should first be required to memorize Chapter six, "What's A Seat Worth?" or at the minimum determine their contribution to the problem based on this chapter. This book should be mandatory reading for all who seek public office or exercise their heritage at the ballot box. *What Makes You Think We Read the Bills?* calls to mind the statement attributed to the 1866 New York Circuit Court: "No man's life, liberty, or property are safe while the legislature is in session."

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